

**Supplemental Reporting Document  
Table of Contents  
November 2005 Investment Committee Meeting  
(September 2005 Reporting Period)**

**Semi-Annual and Quarterly Reports**

Member Home Loan Program  
Proxy Voting Quarterly Report Results  
Real Estate



**Investment Office**

P.O. Box 2749

Sacramento, CA 95812-2749

Telecommunications Device for the Deaf - (916) 795-3240

(916) 795-0444

November 14, 2005

**SUPPLEMENTAL ITEM**

**TO: MEMBERS OF THE INVESTMENT COMMITTEE**

- I. SUBJECT:** Member Home Loan Quarterly Performance Report
- II. PROGRAM:** Member Home Loan Program (MHLP)
- III. RECOMMENDATION:** Information only

**IV. ANALYSIS:**

For the quarter ended September 30, 2005, the CalPERS Member Home Loan Program purchased approximately \$166.6 million of FNMA and GNMA securities. This represents an 8.2% increase in these mortgage-backed securities purchased from the previous quarter of \$154.0 million.

During this same period, the CalPERS Member Home Loan Program also purchased \$21.7 million of whole (jumbo) loans. This represents a 21.9% increase of whole loans purchased from the previous quarter of \$17.8 million.

For the 12 month period October 1, 2004 through September 30, 2005, the Member Home Loan Program purchased approximately 3,739 real estate loans totaling \$762.6 million.

**V. STRATEGIC PLAN:**

The program is consistent with Goal IV.

**VI. RESULTS/COSTS:**

Attachment 1 is the quarterly report prepared by CitiMortgage.

---

Mark Yelavich  
Investment Officer

---

Arnie Phillips  
Senior Portfolio Manager

---

Curtis D. Ishii  
Senior Investment Officer

---

Mark Anson  
Chief Investment Officer

# *CalPERS Member Home Loan Program*

## **Quarterly Update Report as of September 2005**










Presented by:



Manager of the CalPERS Member  
Home Loan Program

# *CalPERS Member Home Loan Program*

## TABLE OF CONTENTS

	<u>Page</u>
 <i>Informational Bulletin</i>	3
 <i>Purchases as of 9/30/05</i>	4
 <i>Portfolio Holdings as of 9/30/05</i>	5
 <i>Delinquency Reports</i>	6-8
 <i>(A) CalPERS FNMA MHLP MBS vs. Mortgage Bankers Association</i>	
 <i>(B) CalPERS MHLP Participation Certificates vs California Jumbo Portfolio</i>	
 <i>(C) MHLP Personal Whole Loans</i>	
 <i>Appendix A - Participating Lender List</i>	9
 <i>Appendix B - Qualifying Standards for Participants</i>	10

# CalPERS MEMBER HOME LOAN PROGRAM

## Informational Bulletin

### “Highlights For The Quarter Ending 9/30/05”

- **Program to Date**, CalPERS has purchased a total of 125,770 loans totaling \$19.611 billion dollars (figure does not include Personal Loans).
- **Purchases for the Quarter Ending 9/30/05**, were \$188.949 million dollars (figure includes Personal Loans). (see page 4);
- **Portfolio Holdings as of 9/30/05** were \$1.357 billion dollars (see page 5);
- **Mortgage Loan Delinquencies as of 06/30/05**;
  - Fannie Mae MBS Delinquencies decreased by 23 bps (No exposure to CalPERS, see page 6);
  - Whole Loan Delinquencies decreased by 44 bps. (CalPERS exposure see page 7);
- **Personal Whole Loan Delinquency as of 9/30/05** decreased by 15 bps (see page 8).
- **Number of Lending Institutions participating in the MHL** is 45 with a total of 595 branch locations statewide (see page 9);
- **CMI CalPERS Pipeline & Purchase Information for YTD ending 9/30/05**;

Committed not Purchased:	505	\$131,660,944	
Total Commitments Issued (YTD):	2,856	\$697,964,269	<b>Avg/month: \$77,551,585.44</b>
Total Purchased (YTD):	2,244	\$523,416,169	<b>Avg/month: \$58,157,352.11</b>
Purchase/Refinance Percentage (%):	22%/78%		
- **Activity Update - 3<sup>rd</sup> Quarter, 2005**

Sales Support Manager (Marketing)  
Carolyn Holmes

#### Marketing/Lead Tracking Report (Top 5 categories)

Paycheck Stuffer	751 leads	=	19.64% (of total leads)
Benefit Fairs/Events	743	=	19.40%
Co-Worker Referral	719	=	18.80%
CalPERS Website	471	=	12.32%
Perspective Newsletter (Sept)	410	=	10.72%

Total leads generated in 3<sup>rd</sup> Quarter, 2005 = 3,824

We published articles about the interest rate and closing cost protections of the MHL in the September issue of the PERSpective newsletter.

We are interviewing applicants for a Northern California Agency Liaison and Marketing Assistant. Having an Agency Liaison in the Northern California territory again will provide agency and H.R. representatives with a central point of contact with the Program administration department and provide them with resources to help keep their employees educated about their loan options and advantages through the MHL Program. The addition of a marketing assistant will also help us strategize how to better reach the CalPERS Members and launch new program developments in a more timely manner. We will also be better able to keep the MHL content on the CalPERS web site up-to-date.

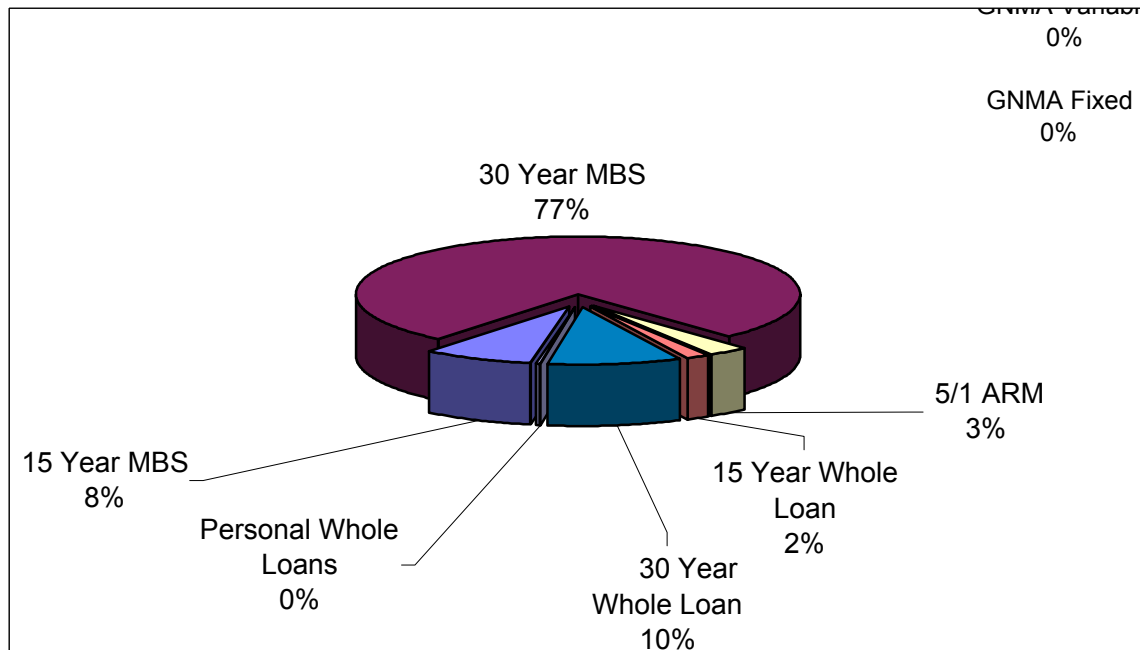
Over 75 CalPERS Agencies throughout the state requested a MHL representative or participating lender attend their benefit fair to talk with members. We exceeded our goal by 115% generating interest from over 743 CalPERS Members. We referred 29% of these member to a loan officer to look further into the loan process.

We will be sending out a paycheck stuffer to all State and Retired CalPERS Members in the beginning of November, highlighting the controlled closing fees available with purchases and refinances.

# CalPERS MEMBER HOME LOAN PROGRAM

## PURCHASES

FOR QTR ENDING 9/30/05



INVESTMENT TYPES	LOANS	AMOUNT PURCHASED	NET YIELD <sup>(1)</sup>	WEIGHTED AVG. MATURITY (Mos.)
<b>FNMA Mortgage Backed Securities<sup>(2)</sup></b>				
15 Year	94	\$ 14,998,856.75	4.62%	174.77
30 Year	685	\$ 146,249,023.54	5.10%	353.73
5/1 ARM	23	\$ 5,426,918.05	4.22%	355.00
<b>GNMA Mortgage Backed Securities<sup>(3)</sup></b>				
Fixed	0	0		
Variable	0	0		
<b>Whole Loans<sup>(4)</sup></b>				
15 Year	12	\$ 3,455,629.15	4.76%	165.48
30 Year	44	\$ 18,321,540.34	5.54%	343.61
<b>Sub-Total</b>	<b>858</b>	<b>\$ 188,451,967.83</b>	<b>5.07%</b>	<b>335.09</b>
Personal Whole Loans	46	\$ 498,020.91	8.21%	158.20
<b>GRAND TOTAL</b>	<b>904</b>	<b>\$ 188,949,988.74</b>	<b>5.08%</b>	<b>334.62</b>

<sup>(1)</sup>NET YIELD - Gross yield to maturity less applicable servicing fee

<sup>(2)</sup>FNMA MBS

Servicing fees 25 basis points

<sup>(3)</sup>GNMA MBS

Servicing fees 19 basis points / 44 basis points

Guaranty fees 6 basis points

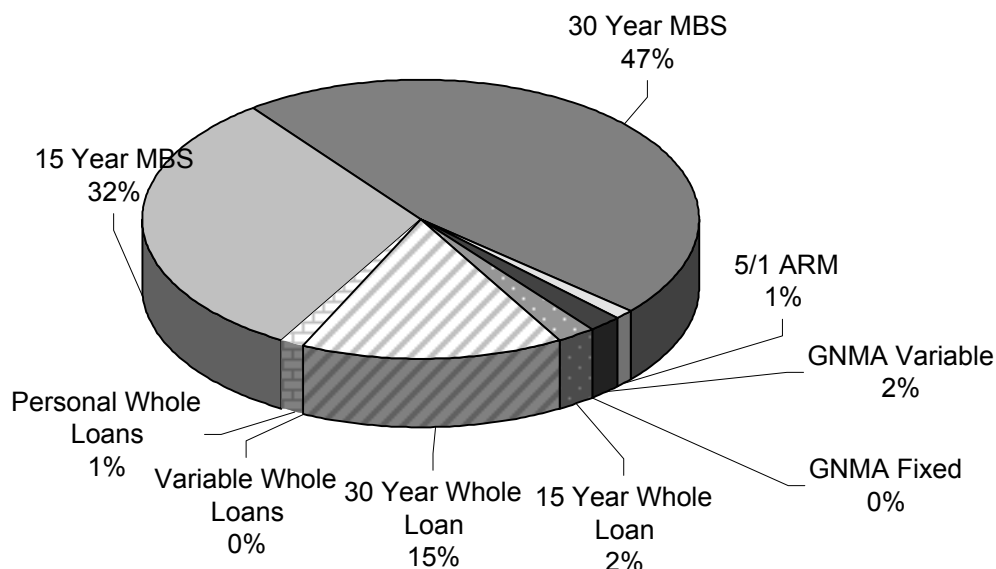
<sup>(4)</sup>Whole Loans

Servicing fixed 25 basis points

Servicing ARMS 37.5 basis points

# CalPERS MEMBER HOME LOAN PROGRAM PORTFOLIO HOLDINGS

as of 9/30/05



INVESTMENT TYPES	LOANS	PORTFOLIO BALANCE	NET YIELD <sup>(1)</sup>	WEIGHTED AVG. MATURITY (Mos.)
<b>FNMA Mortgage Backed Security<sup>(2)</sup></b>				
15 Year	3,931	\$ 426,932,264.53	4.49%	150.58
30 Year	3,483	\$ 630,817,332.26	5.05%	335.58
5/1 ARM	68	\$ 16,143,382.20	4.07%	351.53
<b>GNMA Mortgage Backed Security<sup>(3)</sup></b>				
Fixed	80	\$ 25,708,022.29	5.15%	331.18
ARMS	3	\$ 932,040.08	3.93%	275.06
<b>Whole Loans<sup>(4)</sup></b>				
15 Year	104	\$ 30,567,587.48	5.13%	148.11
30 Year	580	\$ 207,623,103.40	5.57%	325.96
Variable	1	\$ 95,012.68	7.04%	194.00
<b>Sub-Total</b>	<b>8,250</b>	<b>1,338,818,744.92</b>	<b>4.94%</b>	<b>270.87</b>
<b>Personal Whole Loans</b>	<b>3,181</b>	<b>\$ 18,197,278.67</b>	<b>6.86%</b>	<b>112.00</b>
<b>TOTAL *</b>	<b>11,431</b>	<b>\$ 1,357,016,023.59</b>	<b>4.97%</b>	<b>268.74</b>

<sup>(1)</sup> Net Yield - Gross yield to maturity less applicable servicing fees.

<sup>(2)</sup> **FNMA MBS**

Servicing fees 25 basis points

<sup>(3)</sup> **GNMA MBS**

Servicing fees 19 basis points / 44 basis points  
Guaranty fees 6 basis points

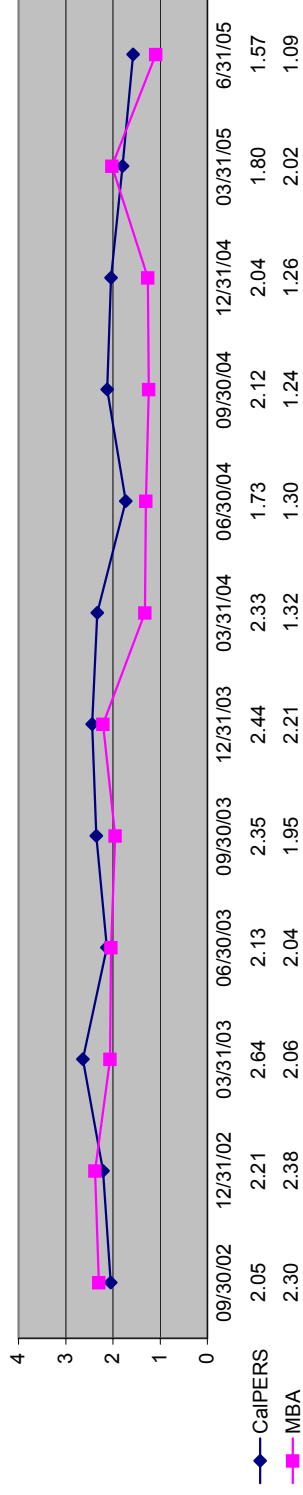
<sup>(4)</sup> **Whole Loans**

Servicing Fixed 25 basis points  
Servicing ARMS 37.5 basis points

\*There are several pools that the Manager is not servicing. These pools do not reflect in the Portfolio Holdings.



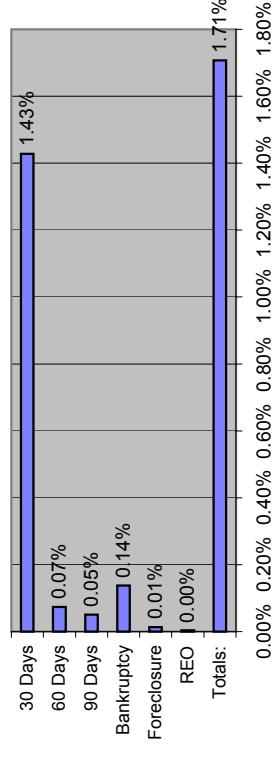
# CalPERS FNMA MHL P MORTGAGE BACKED SECURITIES (MBS) VS. MORTGAGE BANKERS ASSOCIATION (MBA) % LOANS DELINQUENT



## CalPERS FNMA MBS DELINQUENCY

NUMBERS QTR ENDING 06/30/05				
	# Loans	% Delinquent	UPB (\$)	% Delinquent
30 Days	424	1.43%	65,216,793.23	1.53%
60 Days	22	0.07%	3,040,743.49	0.07%
90 Days	15	0.05%	2,275,717.39	0.05%
Bankruptcy	41	0.14%	5,165,538.52	0.12%
Foreclosure	4	0.01%	549,554.01	0.01%
REO	1	0.00%	124,359.49	0.00%
Totals:	507	1.71%	76,372,706.13	1.79%
<b>Total Portfolio</b>		<b>29,697</b>	<b>\$ 4,275,073,824.29</b>	<b>1.66%</b>
<b>Totals - BK and REO:</b>		<b>465</b>	<b>71,082,808.12</b>	<b>1.57%</b>

## CalPERS FNMA MBS % OF LOANS DELINQUENT QTR ENDING 06/30/05

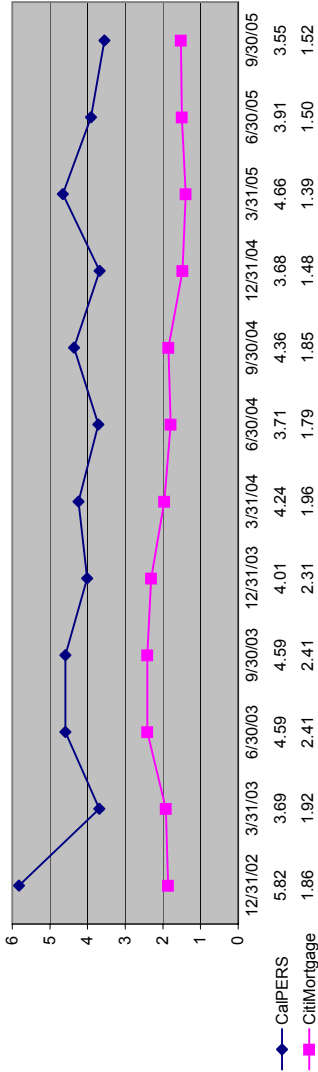


Total Portfolio reflects total MHL P MBS outstanding principal balance regardless of CalPERS ownership of the MHL P MBS.  
For all graphs above, percentages are based on loan count in order to calculate delinquency data consistent with the MBA. All numbers are rounded up.  
MBA has no REO/Bankruptcy MHL P percentage will not reflect REO/Bankruptcy.

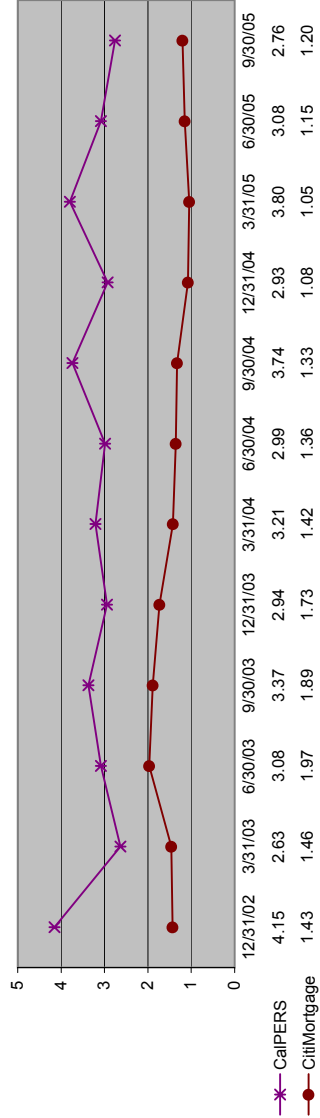
DELINQUENCY REPORT

CalPERS MHL P PARTICIPATION CERTIFICATES VS. CALIFORNIA JUMBO PORTFOLIO

% LOANS DELINQUENT FOR QUARTER ENDING 09/30/05



% \$UPB DELINQUENT FOR QUARTER ENDING 09/30/05



\*As of 9/30/03 Comparison is based on all CitiMortgage Jumbo Loans

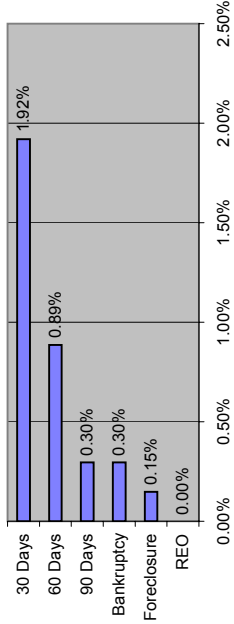
CalPERS PARTICIPATION CERTIFICATES

DELINQUENCY NUMBERS

QUARTER ENDING 9/30/05

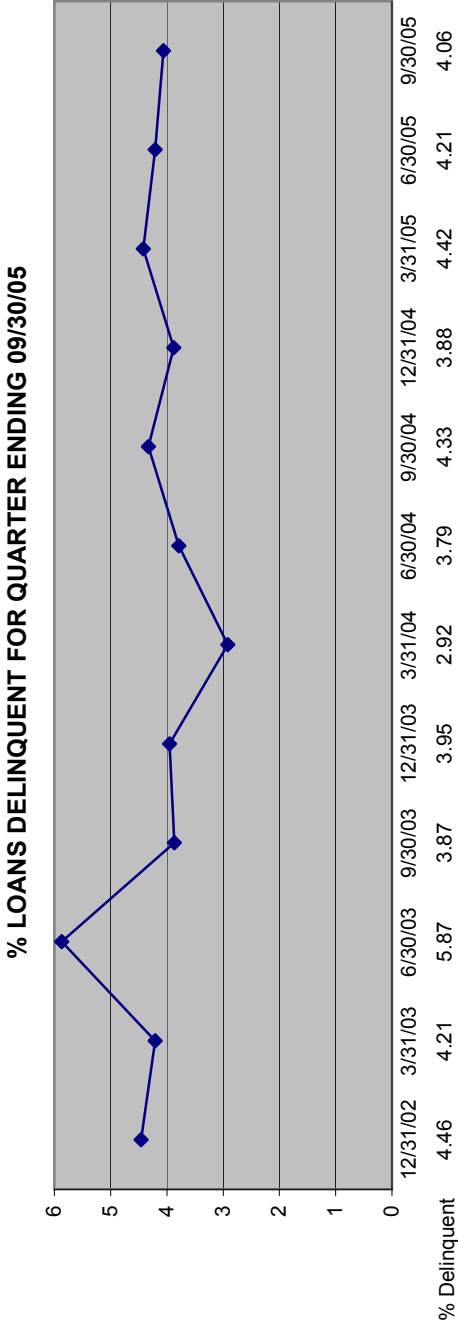
# Loans	% Delinquent	UPB (\$)	% Delinquent
13	1.92%	4,102,154.62	1.72%
60 Days	0.89%	1,340,481.15	0.56%
90 Days	0.30%	717,644.18	0.30%
Bankruptcy	0.30%	397,966.19	0.17%
Foreclosure	0.15%	49,872.22	0.02%
REO	0.00%	0.00	0.00%
Totals:	3.55%	6,608,118.36	2.76%
Total Portfolio		# 677	\$ 239,097,343.35

CALPERS PARTICIPATION CERTIFICATES % OF LOANS  
DELINQUENT QTR ENDING 09/30/05



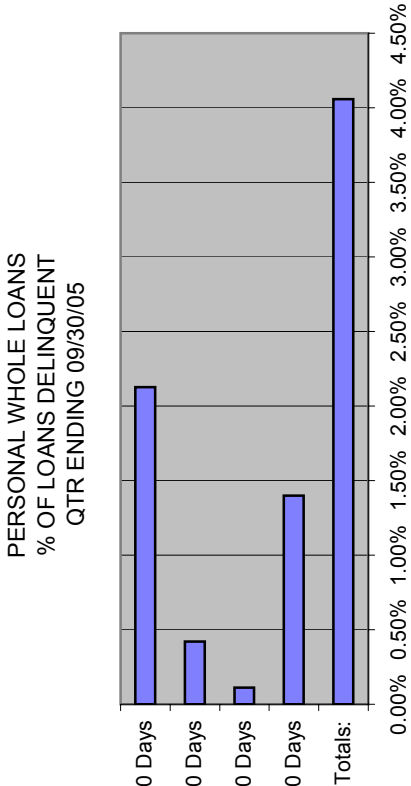
# DELINQUENCY REPORT

## CalPERS Personal Loans



### PERSONAL WHOLE LOANS DELINQUENCY NUMBERS

QTR ENDING 09/30/05		
# Loans	% Delinquent	UPB (\$)
30 Days	2.13%	380,570.96
60 Days	0.42%	74,766.11
90 Days	0.11%	21,960.54
120 Days	1.40%	162,702.87
Total Delinquent	4.06%	640,000.48
Total Portfolio	3,573	\$18,197,278.67



For all graphs above, percentages are based on loan count in order to calculate delinquency data consistent with the MBA.

A total of 552 Personal Loans for \$2,513,374.83 have been called into Default (Program to Date).

A total of 19,686 Personal Loans for \$145,924,175.82 have been purchased by CalPERS (Program to Date).

## APPENDIX A

### **CalPERS MEMBER HOME LOAN PROGRAM PARTICIPATING LENDER LIST AS OF 9/30/05**

ABN AMRO MORTGAGE GROUP  
ALTURA CREDIT UNION  
AMERICAN HOME MORTGAGE  
ARROWHEAD CENTRAL CREDIT UNION  
BROADVIEW MORTGAGE COMPANY  
CENTRAL PACIFIC MORTGAGE CO.  
COUNTRYWIDE HOME LOANS, INC.  
CTX MORTGAGE COMPANY  
CU WEST MORTGAGE, INC.  
CUNA MUTUAL MORTGAGE CORPORATION  
DHI MORTGAGE COMPANY, LTD.  
EAGLE HOME MORTGAGE, INC.  
FIRST BANK MORTGAGE  
FIRST HORIZON HOME LOAN CORPORATION  
FIRST MAGNUS FINANCIAL CORPORATION  
FIRST MORTGAGE CORPORATION  
FIRST NORTHERN BANK OF DIXON  
GATEWAY BUSINESS BANK  
GMAC MORTGAGE CORPORATION  
GOLDEN EMPIRE MORTGAGE, INC.  
GOLDEN STATE MORTGAGE TRUST, INC.  
GUILD MORTGAGE COMPANY  
HARBORSIDE FINANCIAL CORPORATION

K. HOVANIAN AMERICAN MORTGAGE  
MOUNTAIN WEST FINANCIAL, INC.  
NCMC A SUBSIDIARY OF NATIONAL CITY  
NEW CENTURY MORTGAGE CORPORATION  
PINNACLE FINANCIAL CORPORATION  
PLUMAS BANK  
PROVIDENT MORTGAGE CORPORATION  
PROVIDENT SAVINGS BANK  
SANTA CLARA COUNTY FEDERAL CREDIT UNION  
SANTA CRUZ MORTGAGE COMPANY  
SCME MORTGAGE BANKERS, INC.  
SIERRA PACIFIC HOME LOANS  
SIERRA PACIFIC MORTGAGE COMPANY, INC.  
THE GOLDEN 1 CREDIT UNION  
THE MORTGAGE HOUSE, INC.  
U.S. FINANCIAL MORTGAGE CORPORATION  
UNITED FINANCIAL MORTGAGE CORPORATION  
UNITED PACIFIC MORTGAGE  
UNIVERSAL AMERICAN MORTGAGE COMPANY  
WELLS FARGO BANK  
WESTERN SIERRA NATIONAL BANK  
YOUNG MORTGAGE SERVICE CORPORATION

**TOTAL NUMBER OF LENDERS:**  
**TOTAL NUMBER OF BRANCHES:**

**45**  
**595**

## APPENDIX B

### Qualifying Standards for CalPERS Participants

- Audited financial statements, which usually report the performances of the past two years.
- The most update quarterly financial statements (unaudited interims)
- Quality control procedures
- FNMA approved with ID number (letter attached).
- Net worth of at least \$500,000 (based on audited financial statements).
- Has been in business for two years (based on audited financial statements).
- Has operated profitably for two years (based on audited financial statements).
- Approval from: RADIANT, GEMICO, UGIC, PMI, MGIC, RMIC, or TRIAD
- Current Error & Omissions Insurance and Fidelity Bond Coverage (minimum coverage at least \$300,000 and current at time of review).

**For applicants requesting SERVICING RETAINED status:**

- The Applicant's delinquency and foreclosure ratios in California for the past three years are equal to or less than the average ratios for comparable institutions as reported by the MBA.
- Currently servicing a residential loan portfolio of at least \$300MM with the capacity of servicing FNMA MBS'.



**Investment Office**

P.O. Box 2749

Sacramento, CA 95812-2749

Telecommunications Device for the Deaf - (916) 795-3240

(916) 795-3400

November 14, 2005

**SUPPLEMENTAL ITEM**

**TO: MEMBERS OF THE INVESTMENT COMMITTEE**

- I. SUBJECT:** Proxy Voting – Quarterly Report Results
- II. PROGRAM:** Public Markets
- III. RECOMMENDATION:** Consent Item
- IV. ANALYSIS:**

On a quarterly basis, staff provides a report on CalPERS' proxy voting results to the Investment Committee. This agenda item provides detailed results on CalPERS' proxy votes for the period July 1, 2005 to September 30, 2005. Staff is delegated the authority and responsibility to execute all proxies and voting instructions in a manner that is consistent with the Board's Global Proxy Voting Principles.

The following table provides a summary of CalPERS' internal proxy voting results for the period. Staff continues to update this table to provide the Committee with a 5-quarter rolling analysis of CalPERS' proxy voting results.

<b>Period</b>	<b>Approximate Number of Meetings Voted</b>	<b>Approximate Number of Individual Items Voted</b>	<b>Number of Shareowner Proposals Voted</b>	<b>Percent of Shareowner Proposals Supported</b>
07/01/05 to 09/30/05	397	2100	16	68%
04/01/05 to 06/30/05	3274	20054	575	74%
01/01/05 to 03/31/05	660	2958	46	48%
10/01/04 to 12/13/04	808	2944	12	61%
07/01/04 to 09/30/04	730	2801	18	67%

\*\*Source: ProxyEdge

In addition to the summary above, we have prepared detailed reports of CalPERS' proxy votes cast during the period July 1, 2005 to September 30, 2005, as attachments for this item. Although the attachments are not included in the agenda materials due to their size, they may be requested through the Investment Committee Secretary.

**Attachment 1** contains the internal proxy voting decisions made in CalPERS' domestic portfolios and CalPERS' international portfolios, including staff's comments.

**Attachment 2** contains the proxy votes for the Small Cap Index Fund (SW9P) that were cast on behalf of CalPERS between July 1, 2005 to September 30, 2005. To support resource constraints, CalPERS hired Glass Lewis & Co. to vote the approximately 2500 proxies (per year) within the Small Cap Fund.

## PROXY VOTING HIGHLIGHTS FOR THE DOMESTIC AND INTERNATIONAL PORTFOLIOS

### A. Domestic Proxy Voting

A sampling of domestic proxy votes cast **against** management from July 1, 2005 to September 30, 2005 includes:

#### 1) Egregious executive compensation plans:

Company	Cost Analysis	Additional Factors <sup>(5)</sup>
3Com Corp.	Shareholder Value Transfer <sup>(1)</sup> : 15.69%, Allowable Cap <sup>(2)</sup> : 14.99%, and Voting Power Dilution <sup>(3)</sup> : 20.73%	The plan does not contain a significant portion of performance-based grants, and vesting is less than four years.
Electronic Arts Inc.	The cost of the plan compared to the financial performance of the company was outside one standard deviation when compared to similar plans <sup>(4)</sup>	The plan does not contain a significant portion of performance-based grants.
Network Appliance Inc.	Shareholder Value Transfer <sup>(1)</sup> : 16.05%, Allowable Cap <sup>(2)</sup> : 12.48%, and Voting Power Dilution <sup>(3)</sup> : 21.93%	The plan does not contain a significant portion of performance-based grants.

- 1) Shareholder Value Transfer - Dollar cost to the company of all stock option plans as participants exercise awards expressed as a percent of market value. Source: Institutional Shareholder Services.
- 2) Allowable Cap - Based on benchmark shareholder value transfer levels for the company's industry, expressed on a percent of market value. Source: Institutional Shareholder Services.
- 3) Voting Power Dilution - Share allocation from all stock option plans as a percent of share allocation plus shares outstanding. Source: Institutional Shareholder Services.

- 4) Glass Lewis & Co. evaluates equity-based plans using twenty different analyses, comparing the program with both absolute limits and a carefully chosen peer group. The model seeks to determine if the proposed plan is either more than one standard deviation away from the average plan for the peer group, on a range of criteria, or exceeds one of the absolute limits.
- 5) At the June 16, 2003 meeting, the CalPERS Board of Directors approved additional policy issues to be applied to voting in relation to compensation plans.

## 2) Shareowner proposals:

CalPERS voted **in favor** of the following shareowner proposals:

Company	Meeting	Proposal	Reason
HJ Heinz Co.	08/23/05	Require a majority vote for the election of directors.	CalPERS is a strong supporter of greater director accountability.
Computer Associates International Inc.	08/24/05	Ratify change in control severance policy.	CalPERS supports asking companies to formulate and seek shareowner approval of executive compensation policies. We believe severance packages should be a component of these.
FedEx Corp.	09/26/05	Report on political contributions.	CalPERS believes this proposal will not pose long-term harm to the company.

CalPERS voted **against** the following shareowner proposals:

Company	Meeting	Proposal	Reason
Conagra Inc.	09/21/05	Suspend Director and Executive Compensation.	CalPERS believes this proposal would unfairly restrict the company's ability to attract and retain competent employees.



### 3) Proxy Contests

There were no significant proxy contests during the quarter.

### 4) Mergers

Target	Acquirer	Date	Vote	Rationale
Unocal Corp.	Chevron Corp.	08/10/05	For	CalPERS believes the merger makes economic sense because of the market premium offered and expected strategic synergies.
Accredo Health Inc.	Medco Health Solutions Inc.	08/17/05	For	CalPERS believes the merger makes economic sense because of the market premium offered and expected strategic synergies.

### 5) Website votes

The following is a sample of Website votes cast during the quarter:

Company/Date	Issue	Vote	Reason
Medtronic Inc. 08/25/05	Elect directors	Withhold vote from nominee Schuler.	Nominee is an affiliate that sits on the Audit, Nominating, and Compensation Committees.
Nike Inc. 09/20/05	Elect directors	Withhold vote from nominee Jackson.	Nominee is an affiliate on a board that is not independent by a majority.
General Mills Inc. 09/26/05	Elect directors	Withhold vote from nominee Ochoa-Brillembourg.	Nominee is an affiliate that sits on the Nominating Committee.

## B. International Proxy Voting

A sampling of International proxy votes cast **against** management during the quarter:

Company	Country	Date	Issue	Reason
Air France	France	07/05/05	Amend Articles of Association.	The company has not disclosed adequate information for shareowner approval.
Sims Group LTD.	Australia	09/08/05	Approve grant of equity performance rights.	The plan allows for the re-testing of performance metrics.
Greek Organisation of Football Prognostics SA	Greece	09/28/05	Amend Articles of Association.	The company has not disclosed adequate information for shareowner approval.

## V. STRATEGIC PLAN:

This item is not a product of either the 2005-06 Strategic or Annual Plan.

**VI. RESULTS/COSTS:**

Costs associated with proxy voting are contained within the Investment Office budget. Total expenses related to proxy voting are approximately \$300,000 annually.

---

Todd Mattley  
Investment Officer

---

Aeisha Mastagni  
Investment Officer

---

Dennis Johnson  
Senior Portfolio Manager, Corporate Governance

---

Christianna Wood  
Senior Investment Officer

---

Mark Anson  
Chief Investment Officer



**Investment Office**

P.O. Box 2749

Sacramento, CA 95812-2749

Telecommunications Device for the Deaf - (916) 795-3240

(916) 795-3400

November 14, 2005

**SUPPLEMENTAL ITEM**

**TO: MEMBERS OF THE INVESTMENT COMMITTEE**

- I. SUBJECT:** Real Estate Quarterly Performance Report  
as of June 30, 2005
- II. PROGRAM:** Real Estate
- III. RECOMMENDATION:** Information Only
- IV. ANALYSIS:**

The enclosed Real Estate Quarterly Performance Report for the quarter ending June 30, 2005, has been prepared by staff from the Performance Monitoring Unit (PMU) with assistance from CalPERS' Real Estate Unit and Pension Consulting Alliance, Inc. (PCA). The one-year total returns (as of June 30, 2005) for the Real Estate Portfolio were 51.4% before fees and 40.8% after fees. The since inception return of the Real Estate Portfolio was 10.6% after fees, with the income component generating 7.3% and the appreciation component generating 3.2%.

**V. STRATEGIC PLAN:**

Goal VIII: Manage the risk and volatility of assets and liabilities to ensure sufficient funds are available, first, to pay benefits and second, to minimize and stabilize contributions.

**VI. RESULTS/COSTS:**

The data in the report has been gathered from sources the Performance Monitoring Unit believes to be reliable. This item provides information to the Investment Committee on the assets and performance of the fund.

---

Mike Inglett  
Investment Officer  
Performance Monitoring Unit

---

Albert E. Grijalva  
Investment Officer  
Performance Monitoring Unit

---

Greg Hood  
Division Chief, Investment Office

---

Anne Stausboll  
Assistant Executive Officer,  
Investment Office

---

Mark Anson  
Chief Investment Officer



**STATE OF CALIFORNIA  
PUBLIC EMPLOYEES' RETIREMENT SYSTEM**



**REAL ESTATE PORTFOLIO  
PERFORMANCE REPORT**

Quarter Ending June 30, 2005



# CALIFORNIA PUBLIC EMPLOYEES' RETIREMENT SYSTEM

## REAL ESTATE PORTFOLIO PERFORMANCE REPORT

### For the Quarter Ending June 30, 2005

#### TABLE OF CONTENTS

#### Section

<b>EXECUTIVE SUMMARY .....</b>	<b>I</b>
<ul style="list-style-type: none"> <li>◆ Overall Performance</li> <li>◆ Real Estate Portfolio Performance Summary</li> <li>◆ Benchmark Chart (Before Fees) Versus NCREIF</li> <li>◆ Benchmark Chart (Real Rate of Return After Fees) Versus 5 percent</li> </ul>	
<b>SIGNIFICANT EVENTS/MATERIAL EXCEPTIONS TO POLICY.....</b>	<b>II</b>
<b>PERFORMANCE DETAIL BY SUBPORTFOLIO AND SECTOR .....</b>	<b>III</b>
<ul style="list-style-type: none"> <li>◆ Before Fees</li> <li>◆ After Fees</li> </ul>	
<b>PERFORMANCE DETAIL BY PARTNERSHIP / ACCOUNT .....</b>	<b>IV</b>
<ul style="list-style-type: none"> <li>◆ Core Before Fees</li> <li>◆ Non-Core Before Fees</li> <li>◆ Core After Fees</li> <li>◆ Non-Core After Fees</li> </ul>	
<b>APPENDIX .....</b>	<b>V</b>
<ul style="list-style-type: none"> <li>◆ Core Portfolio Description</li> <li>◆ Non-Core Portfolio Description</li> <li>◆ Glossary</li> </ul>	

*The data in this report has been gathered from sources the Performance Monitoring Unit believes to be reliable. This material must be checked for mistakes and, as need be, reconciled to advisor information/financials. Accordingly, when an advisor's figures appear erroneous, we discuss the issue with the advisor. We do not independently audit or otherwise verify the data, nor do we express an opinion or any other form of assurance concerning it.*

## **I. EXECUTIVE SUMMARY**



Total Real Estate Portfolio (as of June 30, 2005)					
	Current Quarter	One-Year	Three-Year	Five-Year	Since Inception
<b>Total</b>					
Net Assets at Fair Market Value	\$9,596,756,747				
Nominal Returns, Before Fees					
Income	2.4%	9.1%	8.6%	8.1%	8.0%
Appreciation	11.7%	42.4%	14.7%	10.9%	3.6%
Total	14.1%	51.4%	23.3%	19.0%	11.7%
Nominal Returns, After Fees					
Income	2.0%	6.7%	7.0%	6.8%	7.3%
Appreciation	9.7%	34.1%	12.2%	9.2%	3.2%
Total	11.7%	40.8%	19.2%	16.0%	10.6%
NCREIF Index (Before Fees)	5.3%	18.0%	12.1%	10.6%	8.3%
<b>Core</b>					
Net Assets at Fair Market Value	\$5,300,130,938				
Nominal Returns, Before Fees					
Income	1.6%	7.3%	7.9%	7.9%	8.5%
Appreciation	15.0%	50.1%	15.7%	12.2%	2.8%
Total	16.7%	57.4%	23.6%	20.1%	11.3%
Nominal Returns, After Fees					
Income	1.5%	6.6%	7.3%	7.3%	8.0%
Appreciation	12.3%	39.8%	12.6%	10.1%	2.3%
Total	13.8%	46.4%	19.9%	17.4%	10.3%
<b>Non-Core</b>					
Net Assets at Fair Market Value	\$4,296,625,809				
Nominal Returns, Before Fees					
Income	3.8%	12.9%	10.2%	8.2%	6.1%
Appreciation	5.7%	27.8%	14.0%	8.1%	6.0%
Total	9.5%	40.7%	24.3%	16.3%	12.1%
Nominal Returns, After Fees					
Income	3.0%	6.7%	6.3%	4.9%	4.8%
Appreciation	5.1%	23.8%	12.8%	7.4%	5.6%
Total	8.1%	30.5%	19.0%	12.4%	10.4%

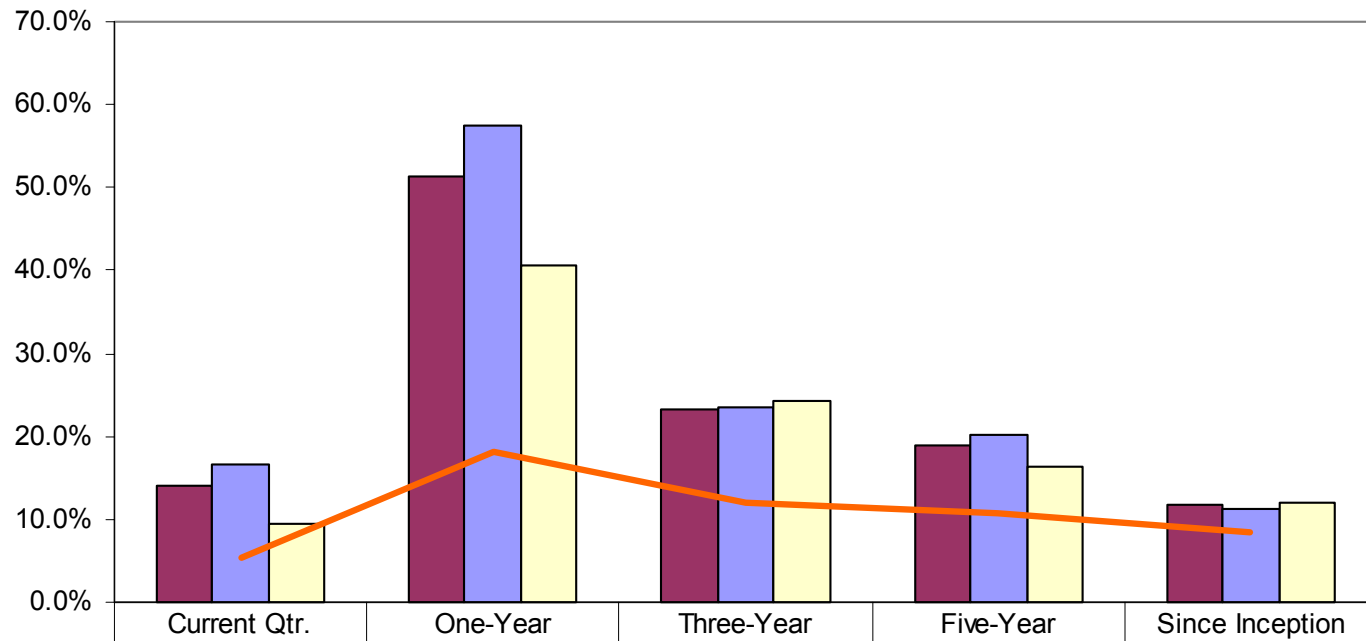
Note - The Total Return figures may not equal the Income plus Appreciation, due to rounding.

## Real Estate Portfolio Performance Summary

- ♦ **Total Portfolio Performance** – The one-year (as of June 30, 2005) total return for the Total Real Estate Portfolio was 51.4 percent before fees and 40.8 percent after fees. The nominal after fee total return (since inception) for the Total Real Estate Portfolio was 10.6 percent as of June 30, 2005, with the income component generating a 7.3 percent return and the appreciation component generating a 3.2 percent return.
- ♦ **Core Portfolio Performance** – The one-year (as of June 30, 2005) total return for the Core Portfolio was 57.4 percent before fees and 46.4 percent after fees. The nominal after fee total return (since inception) for the Core Portfolio was 10.3 percent as of June 30, 2005, with the income component generating an 8.0 percent return and the appreciation component generating a 2.3 percent return. The total before fee returns for the Industrial sector, which reflect the June 30, 2005 valuations, were 56.1 percent for the current quarter and 66.1 percent for the one-year as compared to the NCREIF Industrial sector which reported a 7.2 percent current quarter return and a 17.5 percent one-year return.
- ♦ **Non-Core Portfolio Performance** – The one-year (as of June 30, 2005) total return for the Non-Core Portfolio was 40.7 percent before fees and 30.5 percent after fees. The nominal after fee total return (since inception) for the Non-Core Portfolio was 10.4 percent as of June 30, 2005, with the income component generating a 4.8 percent return and the appreciation component generating a 5.6 percent return. The total return for the Non-Core Portfolio continues to be positively impacted by the Housing Program and the California Urban Real Estate (CURE) Program, which are the two largest Programs in the Non-Core Portfolio. The Housing Program generated a 9.1 percent before fee return for the current quarter and a 35.3 percent before fee return for the one-year period. Additionally, the CURE program generated a 2.9 percent before fee return for the current quarter and a 55.7 percent before fee return for the one-year period.

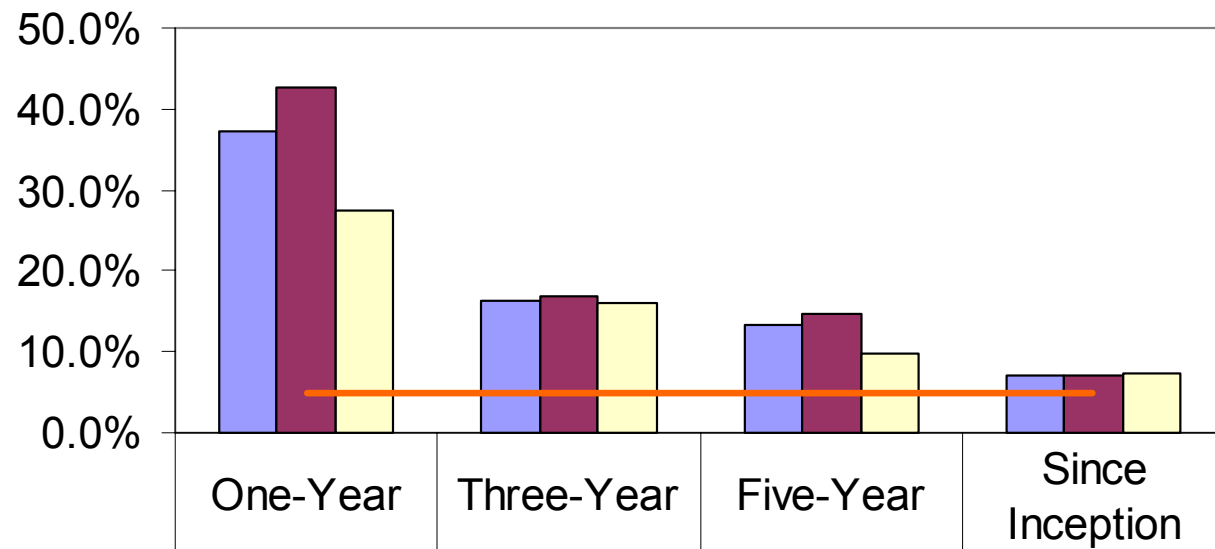
- ♦ **Comparison to Industry Benchmark** – The Total Real Estate Portfolio outperformed the NCREIF Detailed Property Index (Index) for all periods, as shown in the following chart on page I - 4, titled *Total Real Estate Portfolio, Comparison to NCREIF Index, Nominal Returns, Before Fees*. In addition, the Core and Non-Core Portfolio outperformed the Index for all periods. It should be noted that although the NCREIF Index is more directly comparable to the Core Portfolio, the Index is used as a benchmark for the Non-Core Portfolio as well.
- ♦ **Comparison to Real Rate of Return Benchmark** – Policy dictates that CalPERS' after fee real rate of return should reach 5 percent for the Core Portfolio and exceed 5 percent for the Non-Core Portfolio. The Core, Non-Core, and Total Portfolios have all exceeded the 5 percent real rate of return benchmark for all periods, as shown in the following chart on page I - 5 titled *Total Real Estate Portfolio, Comparison to Real Rate of Return, Benchmark, After Fees*.

**Total Real Estate Portfolio  
Comparison to NCREIF Index  
Nominal Returns, Before Fees  
(as of June 30, 2005)**



CalPERS' Total	14.1%	51.4%	23.3%	19.0%	11.7%
CalPERS' Core	16.7%	57.4%	23.6%	20.1%	11.3%
CalPERS' Non-Core	9.5%	40.7%	24.3%	16.3%	12.1%
NCREIF	5.3%	18.0%	12.1%	10.6%	8.3%

**Total Real Estate Portfolio  
Comparison to Real Rate of Return  
Benchmark, After Fees  
(as of June 30, 2005)**



<span style="display: inline-block; width: 15px; height: 15px; background-color: #6666ff; border: 1px solid black;"></span> CalPERS' Total	37.3%	16.2%	13.2%	7.2%
<span style="display: inline-block; width: 15px; height: 15px; background-color: #800040; border: 1px solid black;"></span> CalPERS' Core	42.8%	16.8%	14.6%	7.0%
<span style="display: inline-block; width: 15px; height: 15px; background-color: #ffff00; border: 1px solid black;"></span> CalPERS' Non-Core	27.3%	16.0%	9.7%	7.2%
<span style="display: inline-block; width: 15px; height: 15px; background-color: #ff8c00; border: 1px solid black;"></span> CalPERS' Benchmark	5.0%	5.0%	5.0%	5.0%

## **II. SIGNIFICANT EVENTS / MATERIAL EXCEPTIONS TO POLICY**

## **Significant Events / Material Exceptions to Policy (As Reported by the Real Estate Unit)\***

### **Significant Events**

- ♦ Approximately \$1.4 billion CalEast Industrial portfolio managed by Jones Lange LaSalle was sold. The portfolio consisted of approximately 200 industrial buildings located in the eastern half of the United States.
- ♦ Approximately \$2.7 billion neighborhood shopping center portfolio managed by First Washington was sold. The portfolio consisted of approximately 101 centers diversified nationally.

### **Material Exceptions to Policy**

- ♦ CalPERS Core Asset exposure in the West Region was approximately 61.5 percent as of June 30, 2005, or 21.5 percent above the upper policy range of 25-40 percent. The West Region is composed of two NCREIF divisions (Pacific and Mountain). The Core Asset exposure in the South Region was approximately 12.1 percent as of June 30, 2005, or 2.9 percent below the lower policy range of 15-30 percent. The South Region is composed of two NCREIF divisions (Southwest and Southeast). These percents will continue to adjust as Staff makes additional portfolio sales or purchases to bring the Core Portfolio within policy range.

\*Note – Data reflected in this section has been provided by the Real Estate Unit for informational purposes. It has not been independently verified by the Performance Monitoring Unit.

### **III. PERFORMANCE DETAIL BY SUBPORTFOLIO**



<b>Total Real Estate Portfolio</b> <b>Performance Detail by Subportfolio and Sector</b> <b>For the Period Ending June 30, 2005</b>								
	<u>Net Assets at Fair Market Value</u>			<u>Total Nominal Returns Before Fees</u>				
	<u>Inception Date</u>	<u>Amount</u>	<u>% of Portfolio</u>	<u>Qtr</u>	<u>1-Yr</u>	<u>3-Yr</u>	<u>5-Yr</u>	<u>Since Inception</u>
<b><u>Core</u></b>								
Private								
Apartment	Mar-86	\$1,291,151,053	13.5%	2.3%	26.9%	20.9%	17.5%	10.8%
Industrial	Apr-82	1,994,383,738	20.8%	56.1%	66.1%	24.4%	18.9%	12.6%
Office	Apr-82	772,305,142	8.0%	2.1%	65.7%	18.2%	19.2%	10.4%
Retail	Apr-82	982,650,554	10.2%	1.5%	59.5%	32.4%	22.7%	12.0%
AFL-CIO Building Investment Trust	Mar-91	124,127,267	1.3%	3.6%	10.5%	7.7%	8.0%	8.0%
CIM Urban REIT	Feb-05	23,086,946	0.2%	0.5%	N/AP	N/AP	N/AP	1.8%
Public (REITs)								
PREES - Enhanced Core	Sep-98	112,426,238	1.2%	15.6%	36.0%	21.2%	20.8%	18.8%
<b>Total Core</b>	Apr-82	<b>\$5,300,130,938</b>	<b>55.2%</b>	<b>16.7%</b>	<b>57.4%</b>	<b>23.6%</b>	<b>20.1%</b>	<b>11.3%</b>
<b><u>Non-Core</u></b>								
Private								
Agricultural Land	Jul-02	110,972,065	1.2%	-0.5%	-4.7%	-4.7%	N/AP	-4.7%
California Urban Real Estate (CURE)	Feb-97	761,970,444	7.9%	2.9%	55.7%	33.7%	24.3%	18.1%
Housing	Jun-92	1,492,504,585	15.6%	9.1%	35.3%	31.2%	25.9%	22.5%
International	Apr-98	377,137,256	3.9%	5.0%	30.3%	10.6%	5.9%	3.2%
Opportunistic Funds	Jan-03	47,844,072	0.5%	8.4%	223.5%	N/AP	N/AP	331.1%
Real Estate Technology	Nov-99	517,881,677	5.4%	20.4%	59.4%	31.0%	13.2%	11.4%
Senior Housing	Jun-01	311,026,763	3.2%	2.3%	64.8%	39.6%	N/AP	30.9%
Timberland	Jan-88	137,490,014	1.4%	1.5%	21.9%	9.0%	3.8%	12.5%
Public								
Catellus	Mar-90	220,716,786	2.3%	24.1%	40.3%	27.1%	21.9%	5.9%
PREES - Extended Mkt Index REIT	Jun-02	319,082,147	3.3%	13.9%	34.7%	21.4%	N/AP	19.6%
<b>Total Non-Core</b>	Dec-84	<b>\$4,296,625,809</b>	<b>44.8%</b>	<b>9.5%</b>	<b>40.7%</b>	<b>24.3%</b>	<b>16.3%</b>	<b>12.1%</b>
<b>Total Portfolio</b>		<b>\$9,596,756,747</b>	<b>100.0%</b>	<b>14.1%</b>	<b>51.4%</b>	<b>23.3%</b>	<b>19.0%</b>	<b>11.7%</b>
<b>Benchmark: NCREIF Property Index</b>				<b>5.3%</b>	<b>18.0%</b>	<b>12.1%</b>	<b>10.6%</b>	<b>8.3%</b>

<b>Total Real Estate Portfolio</b> <b>Performance Detail by Subportfolio and Sector</b> <b>For the Period Ending June 30, 2005</b>								
	<u>Net Assets at Fair Market Value</u>			<u>Total Nominal Returns After Fees</u>				
	<b>Inception Date</b>	<b>Amount</b>	<b>% of Portfolio</b>	<b>Qtr</b>	<b>1-Yr</b>	<b>3-Yr</b>	<b>5-Yr</b>	<b>Since Inception</b>
<b><u>Core</u></b>								
Private								
Apartment	Mar-86	\$1,291,151,053	13.5%	0.0%	21.9%	17.6%	14.7%	9.7%
Industrial	Apr-82	1,994,383,738	20.8%	47.6%	56.1%	21.1%	16.7%	11.8%
Office	Apr-82	772,305,142	8.0%	1.7%	48.5%	13.3%	15.5%	9.3%
Retail	Apr-82	982,650,554	10.2%	1.1%	49.4%	28.8%	20.4%	11.1%
AFL-CIO Building Investment Trust	Mar-91	124,127,267	1.3%	3.3%	9.4%	6.7%	6.9%	6.8%
CIM Urban REIT	Feb-05	23,086,946	0.2%	0.2%	N/AP	N/AP	N/AP	1.2%
Public (REITs)								
PREES - Enhanced Core	Sep-98	112,426,238	1.2%	15.6%	36.0%	21.2%	20.8%	18.8%
<b>Total Core</b>	Apr-82	<b>\$5,300,130,938</b>	<b>55.2%</b>	<b>13.8%</b>	<b>46.4%</b>	<b>19.9%</b>	<b>17.4%</b>	<b>10.3%</b>
<b><u>Non-Core</u></b>								
Private								
Agricultural Land	Jul-02	110,972,065	1.2%	-0.8%	-6.0%	-6.0%	N/AP	-6.0%
California Urban Real Estate (CURE)	Feb-97	761,970,444	7.9%	2.1%	38.8%	25.9%	19.0%	14.7%
Housing	Jun-92	1,492,504,585	15.6%	7.8%	25.6%	21.9%	17.7%	15.0%
International	Apr-98	377,137,256	3.9%	4.0%	15.9%	3.2%	1.1%	-0.4%
Opportunistic Funds	Jan-03	47,844,072	0.5%	7.1%	186.2%	N/AP	N/AP	324.9%
Real Estate Technology	Nov-99	517,881,677	5.4%	16.1%	39.8%	22.3%	2.7%	2.3%
Senior Housing	Jun-01	311,026,763	3.2%	1.9%	48.1%	33.4%	N/AP	26.3%
Timberland	Jan-88	137,490,014	1.4%	1.4%	20.7%	8.3%	3.2%	11.6%
Public								
Catellus	Mar-90	220,716,786	2.3%	24.1%	40.3%	27.1%	21.9%	5.9%
PREES - Extended Mkt Index REIT	Jun-02	319,082,147	3.3%	13.9%	34.7%	21.4%	N/AP	19.6%
<b>Total Non-Core</b>	Dec-84	<b>\$4,296,625,809</b>	<b>44.8%</b>	<b>8.1%</b>	<b>30.5%</b>	<b>19.0%</b>	<b>12.4%</b>	<b>10.4%</b>
<b>Total Portfolio</b>		<b>\$9,596,756,747</b>	<b>100.0%</b>	<b>11.7%</b>	<b>40.8%</b>	<b>19.2%</b>	<b>16.0%</b>	<b>10.6%</b>
<b>Benchmark: NCREIF Property Index (Before Fee)</b>				<b>5.3%</b>	<b>18.0%</b>	<b>12.1%</b>	<b>10.6%</b>	<b>8.3%</b>

#### **IV. PERFORMANCE BY PARTNERSHIP**

<b>Core Real Estate Portfolio</b> <b>Performance Detail by Partnership / Account</b> <b>For the Period Ending June 30, 2005</b>									
	<u>Net Assets at Fair Market Value</u>			<u>Total Nominal Returns Before Fees</u>					<u>Realized Project IRR</u> <sup>1</sup>
	<u>Inception Date</u>	<u>Amount</u>	<u>% of Core</u>	<u>Qtr</u>	<u>1-Yr</u>	<u>3-Yr</u>	<u>5-Yr</u>	<u>Since Inception</u>	<u>Since Inception</u>
<b>Core</b>									
Apartment									
GID Advisors - Windsor Realty Fund III	Jan-98	389,019,551	7.3%	5.1%	36.0%	27.3%	20.4%	20.2%	31.4%
BlackRock Realty - Western Multifamily	Jan-98	902,131,502	17.0%	1.0%	22.9%	17.5%	16.5%	15.1%	16.8%
Industrial									
LaSalle - CalEast	Apr-98	531,824,275	10.0%	37.1%	46.8%	21.5%	17.9%	16.8%	<sup>2</sup> 16.3%
LaSalle - International Industrial Real Estate	May-04	199,420,243	3.8%	18.2%	28.9%	N/AP	N/AP	23.9%	N/AP
RREEF - CalWest	Apr-98	1,263,142,232	23.8%	88.1%	99.4%	31.0%	22.5%	20.1%	<sup>2</sup> 8.7%
Office									
CWP - Fifth Street Properties, LLC	Jul-98	16,406,349	0.3%	-8.6%	35.9%	15.2%	17.8%	16.8%	18.3%
CWP Managed	Jul-01	96,164,747	1.8%	1.9%	8.4%	6.5%	N/AP	7.0%	N/AP
Hines - National Office Partners, L.P.	Jul-98	630,337,289	11.9%	1.6%	97.5%	20.3%	21.0%	18.4%	<sup>3</sup> 10.8%
PERS Managed	Apr-82	29,356,749	0.6%	3.6%	15.4%	15.4%	15.2%	12.5%	N/AP
Retail									
First Washington - Eastern Shopping Ctr Hldg	Oct-03	(100,029,435)	-1.9% <sup>4</sup>	-0.2%	71.2%	N/AP	N/AP	47.2%	<sup>3</sup> 43.7%
First Washington - US Retail Partners, LLC	<sup>5</sup> Jul-04	(46,365,113)	-0.9% <sup>4</sup>	4.5%	72.9%	N/AP	N/AP	72.9%	<sup>3</sup> 61.7%
Miller Capital - Institutional Mall Investors	Oct-03	1,127,264,576	21.3%	1.6%	45.0%	N/AP	N/AP	41.2%	N/AP
Other Private									
AFL-CIO Building Investment Trust	Mar-91	124,127,267	2.3%	3.6%	10.5%	7.7%	8.0%	8.0%	N/AP
CIM Management - CIM Urban REIT	Feb-05	23,086,946	0.4%	0.5%	N/AP	N/AP	N/AP	1.8%	<sup>6</sup> N/AP
Public									
PREES - Enhanced Core	Sep-98	112,426,238	2.1%	15.6%	36.0%	21.2%	20.8%	18.8%	N/AP
<b>Total Core</b>	Apr-82	<b>\$5,298,313,416<sup>7</sup></b>	<b>100.0%</b>	<b>16.7%</b>	<b>57.4%</b>	<b>23.6%</b>	<b>20.1%</b>	<b>11.3%</b>	

<sup>1</sup> The IRR information is provided by the Partners and is not audited or verified by the Performance Monitoring Unit. Partners reporting N/AP indicate either that the partnership has no completed projects or has uneven cash flows that render an erroneous IRR calculation. IRR for CalPERS reporting purposes is calculated for sold/realized projects only. See appendix for details on IRR calculation.

<sup>2</sup> Current quarter and trailing one year returns are high due to appreciation in second quarter 2005.

<sup>3</sup> One year returns are high due to appreciation in first quarter 2005.

<sup>4</sup> Less than 0.1% of the Non-Core Portfolio.

<sup>5</sup> Effective 5/28/03, USRP management responsibilities were transferred to First Washington Realty.

<sup>6</sup> Since inception returns are annualized for investments / programs with less than four quarters of activity.

<sup>7</sup> Excludes sold portfolio activity.

<b>Non-Core Real Estate Portfolio</b> <b>Performance Detail by Partnership / Account (Before Fee)</b> <b>For the Period Ending June 30, 2005</b>									
	<u>Net Assets at Fair Market Value</u>			<u>Total Nominal Returns Before Fees</u>					<u>Realized Project IRR <sup>1</sup></u>
	Inception Date	Amount	% of Non-Core	Qtr	1-Yr	3-Yr	5-Yr	Since Inception	Since Inception
<b>Non-Core</b>									
Agricultural Land									
Pacific Vineyard Partners, LLC	Jul-02	70,813,301	1.7%	-0.6%	-4.8%	-4.7%	N/AP	-4.7%	N/AP
Meriwether Farms, LLC	May-04	40,158,764	0.9%	-0.3%	-5.7%	N/AP	N/AP	-8.0%	N/AP
California Urban Real Estate (CURE)									
Bridge Urban Infill Land Development, LLC	Jun-02	32,559,011	0.8%	10.6%	14.4%	6.9%	N/AP	7.4%	N/AP
Buchanan Urban Investors, LLC	Dec-01	33,286,448	0.8%	2.1%	16.9%	25.5%	N/AP	29.3%	36.3%
Buchanan Urban Investors II, LLC	Aug-03	41,737,005	1.0%	6.1%	18.5%	N/AP	N/AP	13.6%	91.4%
California Urban Investment Partners, LLC	Feb-97	130,602,223	3.1%	-0.6%	379.4%	112.7%	61.5%	39.3%	<sup>8</sup> 13.5%
CalSmart, LLC	Mar-01	91,050,615	2.2%	9.0%	44.5%	18.6%	N/AP	12.8%	31.3%
Capri Urban Capital I, LLC	Jun-02	29,581,680	0.7%	4.2%	9.5%	9.0%	N/AP	9.2%	12.5%
CIM Calif. Urban Real Estate Fund L.P.	Dec-00	180,824,146	4.3%	0.6%	2.5%	218.9%	N/AP	100.4%	<sup>9</sup> N/AP
Infill Investment Partners, LLC	Feb-00	928,867	0.0%	<sup>10</sup> -0.6%	-1.0%	1.4%	3.2%	2.9%	15.7%
IHP Investment Fund IV	Dec-01	7,795,955	0.2%	10.4%	9.2%	-9.4%	N/AP	-7.0%	N/AP
KAREC California Development Program, LLC	Apr-02	4,975,505	0.1%	0.0%	0.0%	26.2%	N/AP	25.3%	37.8%
Kennedy Office Development Program	Jan-98	37,081,543	0.9%	-0.4%	0.8%	13.0%	15.9%	12.1%	18.0%
KSC Affordable Housing Investment Fund, LLC	Jan-03	1,814,202	0.0%	<sup>10</sup> -0.3%	-1.6%	N/AP	N/AP	-4.3%	N/AP
Legacy Partners Affordable Housing Fund	Jun-03	11,257,500	0.3%	0.8%	0.1%	N/AP	N/AP	-0.2%	N/AP
Meruelo - California Future Fund	Feb-05	104,017,013	2.5%	N/M	N/AP	N/AP	N/AP	N/M	<sup>11</sup> N/AP
Pacific Cityhome, LLC	Aug-03	54,458,731	1.3%	13.7%	45.7%	N/AP	N/AP	22.8%	N/AP
Catellus Development Corporation	Mar-90	220,716,786	5.2%	24.1%	40.3%	27.1%	21.9%	5.9%	N/AP
Housing									
Hearthstone Advisors									
Hearthstone Housing Partners II, L.P.	Aug-04	146,684,179	3.5%	0.7%	3.5%	N/AP	N/AP	3.5%	N/AP
Hearthstone MS Value Added III, LLC	Sep-03	44,409,609	1.0%	5.3%	16.0%	N/AP	N/AP	5.4%	18.6%

<sup>1</sup> The IRR information is provided by the Partners and is not audited or verified by the Performance Monitoring Unit. Partners reporting N/AP indicate either that the partnership has no completed projects or has uneven cash flows that render an erroneous IRR calculation. IRR for CalPERS reporting purposes is calculated for sold/realized projects only. See appendix for details on IRR calculation.

<sup>8</sup> This high return is due to large unrealized appreciation posted during the fourth quarter 2004.

<sup>9</sup> This high return is due to the relatively large unrealized appreciation (in the development properties) posted during the fourth quarter 2003 compared to the NAV.

<sup>10</sup> Less than 0.1% of the Non-Core Portfolio.

<sup>11</sup> CalPERS is a direct lender to Meruelo. The initial capital call was on 2-17-05. There is a pay rate of 6.5% and an accrual rate of 11.5% on the outstanding balance.

<b>Non-Core Real Estate Portfolio</b> <b>Performance Detail by Partnership / Account (Before Fee)</b> <b>For the Period Ending June 30, 2005</b>									
	<u>Net Assets at Fair Market Value</u>			<u>Total Nominal Returns Before Fees</u>					<u>Realized Project IRR <sup>1</sup></u>
	<u>Inception Date</u>	<u>Amount</u>	<u>% of Non-Core</u>	<u>Qtr</u>	<u>1-Yr</u>	<u>3-Yr</u>	<u>5-Yr</u>	<u>Since Inception</u>	<u>Since Inception</u>
<b>Non-Core Continued</b>									
Housing (Continued)									
Institutional Housing Partners									
IHP Investment Fund I, L.P.	Jul-92	55,202,830	1.3%	2.0%	13.8%	18.8%	22.0%	26.3%	36.6%
IHP Investment Fund II, L.P.	Sep-95	13,977,319	0.3%	0.6%	39.1%	-205.0%	-213.8%	N/M <sup>13</sup>	25.6%
IHP Investment Fund III, L.P.	Oct-99	251,436,045	5.9%	11.2%	54.5%	37.4%	27.2%	24.5%	30.4%
IHP Investment Fund V, L.P.	Jan-03	26,945,217	0.6%	0.6%	35.8%	N/AP	N/AP	33.9%	33.8%
PICAL Housing Associates, L.P.	Sep-92	3,192,261	0.1%	0.7%	0.2%	10.9%	5.1%	16.5%	N/AP
PICAL Housing Associates II, L.P.	Mar-95	1,808,576	0.0% <sup>10</sup>	-1.1%	-2.8%	5.2%	15.9%	35.4%	N/AP
M/W Housing Partners									
MW Housing Partners III, L.P.	Jan-01	120,787,566	2.9%	17.5%	62.0%	61.3%	N/AP	40.5%	47.1%
Newland Capital Advisors									
Cal-Land Asset Partners, LP	Aug-95	13,164,679	0.3%	18.3%	18.0%	18.1%	19.2%	1.6%	19.0%
Newland National Partners, L.P.	Oct-99	246,338,084	5.8%	15.3%	25.7%	13.5%	8.7%	6.9%	N/AP
Newland National Partners II, L.P.	Oct-03	150,041,499	3.5%	3.5%	4.2%	N/AP	N/AP	1.1%	N/AP
Newland National Partners III, L.P.	May-05	100,105,272	2.4%	-0.3%	N/AP	N/AP	N/AP	-1.1% <sup>15</sup>	N/AP
Resmark Equity Partners, LLC									
ORA Residential Investments I, L.P.	Oct-99	67,050,627	1.6%	13.0%	79.7%	66.2%	43.8%	38.6%	40.2%
Residential Real Estate Partners									
Residential Real Estate Partners III, L.P.	Jan-00	9,082,725	0.2%	32.1%	405.2%	119.6%	68.3%	61.4% <sup>14</sup>	33.5%
Shea Homes, L.P.									
Shea Capital I, LLC	Apr-05	(154,419)	0.0% <sup>10</sup>	0.0%	N/AP	N/AP	N/AP	-0.2% <sup>15</sup>	N/AP
Shea Mountain House, LLC	May-05	126,944,427	3.0%	0.0%	N/AP	N/AP	N/AP	-0.1% <sup>15</sup>	N/AP
Wells Fargo Realty Advisors									
WFHAI Housing Fund, L.P.	Aug-92	70,524,477	1.7%	9.5%	39.8%	41.6%	47.2%	37.5%	27.5%
Olson Urban Housing	Feb-00	8,884,154	0.2%	8.8%	26.3%	19.3%	14.0%	10.2%	N/AP

<sup>1</sup> The IRR information is provided by the Partners and is not audited or verified by the Performance Monitoring Unit. Partners reporting N/AP indicate either that the partnership has no completed projects or has uneven cash flows that render an erroneous IRR calculation. IRR for CalPERS reporting purposes is calculated for sold/realized projects only. See appendix for details on IRR calculation.

<sup>10</sup> Less than 0.1% of the Non-Core Portfolio.

<sup>13</sup> There are only two projects left in IHP Fund II. The beginning NAV for the third and fourth quarters of 2003 became negative, which is the cause of the large negative returns.

<sup>14</sup> This is due to the relatively large net income compared to the NAV.

<sup>15</sup> Since inception returns are annualized for investments / programs with less than four quarters of activity.

<b>Non-Core Real Estate Portfolio</b> <b>Performance Detail by Partnership / Account (Before Fee)</b> <b>For the Period Ending June 30, 2005</b>									
	<u>Net Assets at Fair Market Value</u>			<u>Total Nominal Returns Before Fees</u>					<u>Realized</u> <u>Project IRR <sup>1</sup></u>
	<u>Inception Date</u>	<u>Amount</u>	<u>% of Non-Core</u>	<u>Qtr</u>	<u>1-Yr</u>	<u>3-Yr</u>	<u>5-Yr</u>	<u>Since Inception</u>	<u>Since Inception</u>
<b>Non-Core Continued</b>									
International									
Aetos Capital Asia T.E., L.P.	Feb-03	60,751,942	1.4%	5.0%	60.8%	N/AP	N/AP	N/M <sup>16</sup>	64.1%
DB Real Estate Global Opportunities 1A, L.P.	Dec-03	46,601,750	1.1%	2.1%	45.1%	N/AP	N/AP	33.9%	18.5%
DB Real Estate Global Opportunities 1B, L.P.	Dec-03	30,805,704	0.7%	1.1%	N/M	N/AP	N/AP	N/M <sup>17</sup>	N/AP
Hines European Development Fund	Mar-03	(993,902)	0.0% <sup>10</sup>	N/M	N/M	N/AP	N/AP	N/M <sup>18</sup>	N/AP
Hines Mexico (HCM Holdings)	Jan-05	(105,788)	0.0% <sup>10</sup>	N/M	N/AP	N/AP	N/AP	N/M <sup>19</sup>	N/AP
IXIS AEW European Property Investors, L.P.	Sep-04	12,407,439	0.3%	0.0%	N/M	N/AP	N/AP	N/M <sup>17</sup>	N/AP
NIAM Nordic Investment Fund III, L.P.	Sep-04	8,013,173	0.2%	N/M	N/AP	N/AP	N/AP	N/M <sup>18</sup>	N/AP
Prudential - PLA Residential Fund I	Jul-04	139,605,995	3.3%	0.8%	2.0%	N/AP	N/AP	2.0%	N/AP
Secured Capital Japan	Mar-04	77,211,533	1.8%	5.6%	17.6%	N/AP	N/AP	15.1%	N/AP
Security Capital European Development	Apr-98	2,839,410	0.1%	6.4%	3.3%	0.2%	-0.2%	-0.9%	-14.1%
Opportunistic Funds									
Guggenheim Structured Real Estate	Sep-04	22,191,718	0.5%	6.9%	N/AP	N/AP	N/AP	N/M <sup>14</sup>	N/AP
Hampshire Partners Fund IV	Dec-03	11,643,006	0.3%	7.9%	51.3%	N/AP	N/AP	43.6%	N/AP
Page Mill Properties, L.P.	Sep-02	9,371,156	0.2%	10.7%	N/M	N/AP	N/AP	N/M <sup>20</sup>	N/AP
RLJ Urban Lodging	Nov-04	4,638,192	0.1%	N/M	N/AP	N/AP	N/AP	N/M <sup>14</sup>	N/AP
PREES REIT - Extended Market Index	Jun-02	319,082,147	7.5%	13.9%	34.7%	21.4%	N/AP	19.6%	N/AP
Real Estate Technology									
Global Innovation Partners	Apr-01	517,800,733	12.2%	20.4%	59.4%	31.0%	N/AP	16.2%	61.4%
LoopNet.Com	Nov-99	80,944	0.0% <sup>10</sup>	0.0%	0.0%	0.0%	-43.5%	-39.1%	N/AP
Senior Housing									
AEW Senior Housing Company, LLC	Jun-01	213,452,868	5.0%	2.4%	41.1%	21.1%	N/AP	18.4%	20.1%
SHP Senior Housing Fund, LLC	Jan-03	97,573,895	2.3%	2.0%	139.5%	N/AP	N/AP	133.6% <sup>21</sup>	N/AP
Timberland									
Sylvanus LLC	Apr-02	111,226,774	2.6%	1.5%	45.4%	23.0%	N/AP	20.3%	17.9%
<b>Total Non-Core</b>	Dec-84	<b>\$4,234,283,111 <sup>22</sup></b>	<b>100.0%</b>	<b>9.5%</b>	<b>40.7%</b>	<b>24.3%</b>	<b>16.3%</b>	<b>12.1%</b>	

<sup>1</sup> The IRR information is provided by the Partners and is not audited or verified by the Performance Monitoring Unit. Partners reporting N/AP indicate either that the partnership has no completed projects or has uneven cash flows that render an erroneous IRR calculation. IRR for CalPERS reporting purposes is calculated for sold/realized projects only. See appendix for details on IRR calculation.

<sup>10</sup> Less than 0.1% of the Non-Core Portfolio.

<sup>14</sup> This is due to the relatively large net income compared to the NAV.

<sup>16</sup> Since Inception Return is not meaningful. Initial quarter returns contain distributions which have decreased the WAE to a very small value compared to the income and appreciation return component.

<sup>17</sup> Returns are not meaningful due to recognition of income and appreciation prior to any contribution by CalPERS.

<sup>18</sup> Returns are not meaningful. CalPERS has not made a contribution to the fund. See Appendix for fund details.

<sup>19</sup> Returns are not meaningful. CalPERS made an initial contribution to the fund in April 2005. See Appendix for fund details.

<sup>20</sup> High returns as CalPERS made a small contribution of \$40,759 to the partnership during the first three quarters of 2004, plus there has been relatively large unrealized appreciation compared to the NAV.

<sup>21</sup> The high one-year and since inception returns are due to the increase in unrealized appreciation that was posted during the fourth quarter 2004.

<sup>22</sup> Excludes sold portfolio activity.

<b>Core Real Estate Portfolio</b> <b>Performance Detail by Partnership / Account</b> <b>For the Period Ending June 30, 2005</b>									
	<u>Net Assets at Fair Market Value</u>			<u>Total Nominal Returns After Fees</u>					<u>Realized Project IRR</u> <sup>23</sup>
	<u>Inception Date</u>	<u>Amount</u>	<u>% of Core</u>	<u>Qtr</u>	<u>1-Yr</u>	<u>3-Yr</u>	<u>5-Yr</u>	<u>Since Inception</u>	<u>Since Inception</u>
<b>Core</b>									
Apartment									
GID Advisors - Windsor Realty Fund III	Jan-98	389,019,551	7.3%	3.9%	28.8%	22.4%	16.7%	17.5%	30.6%
BlackRock Realty - Western Multifamily	Jan-98	902,131,502	17.0%	-1.7%	19.0%	15.1%	14.1%	13.3%	15.8%
Industrial									
LaSalle - CalEast	Apr-98	531,824,275	10.0%	31.6%	40.1%	18.5%	15.6%	15.0% <sup>24</sup>	15.3%
LaSalle - International Industrial Real Estate	May-04	199,420,243	3.8%	18.1%	28.1%	N/AP	N/AP	23.1%	N/AP
RREEF - CalWest	Apr-98	1,263,142,232	23.8%	74.0%	83.2%	26.8%	19.9%	18.0% <sup>24</sup>	8.7%
Office									
CWP - Fifth Street Properties, LLC	Jul-98	16,406,349	0.3%	-2.9%	30.8%	12.4%	15.4%	14.9% <sup>25</sup>	16.1%
CWP Managed	Jul-01	96,164,747	1.8%	1.8%	7.7%	5.9%	N/AP	6.3%	N/AP
Hines - National Office Partners, L.P.	Jul-98	630,337,289	11.9%	1.4%	75.0%	15.2%	17.1%	15.5% <sup>26</sup>	10.2%
PERS Managed	Apr-82	29,356,749	0.6%	3.6%	15.4%	15.4%	15.2%	12.5%	N/AP
Retail									
First Washington - Eastern Shopping Ctr Hldg	Oct-03	(100,029,435)	-1.9% <sup>27</sup>	-0.7%	52.4%	N/AP	N/AP	37.4% <sup>26</sup>	35.6%
First Washington - US Retail Partners, LLC	Jul-04	(46,365,113)	-0.9% <sup>27</sup>	3.9%	56.4%	N/AP	N/AP	56.4% <sup>26</sup>	49.8%
Miller Capital - Institutional Mall Investors	Oct-03	1,127,264,576	21.3%	1.5%	44.2%	N/AP	N/AP	40.5%	N/AP
Other Private									
AFL-CIO Building Investment Trust	Mar-91	124,127,267	2.3%	3.3%	9.4%	6.7%	6.9%	6.8%	N/AP
CIM Management - CIM Urban REIT	Feb-05	23,086,946	0.4%	0.2%	N/AP	N/AP	N/AP	1.2% <sup>29</sup>	N/AP
Public									
PREES - Enhanced Core	Sep-98	112,426,238	2.1%	15.6%	36.0%	21.2%	20.8%	18.8%	N/AP
<b>Total Core</b>	Apr-82	<b>\$5,298,313,416</b> <sup>30</sup>	<b>100.0%</b>	<b>13.8%</b>	<b>46.4%</b>	<b>19.9%</b>	<b>17.4%</b>	<b>10.3%</b>	

<sup>23</sup> The IRR information is provided by the Partners and is not audited or verified by the Performance Monitoring Unit. Partners reporting N/AP indicate either that the partnership has no completed projects or has uneven cash flows that render an erroneous IRR calculation. IRR for CalPERS reporting purposes is calculated for sold/realized projects only. See appendix for details on IRR calculation.

<sup>24</sup> Current quarter and trailing one year returns are high due to appreciation in second quarter 2005.

<sup>25</sup> After fee return in current quarter higher than before fee due to incentive fee accrual.

<sup>26</sup> One year returns are high due to appreciation in first quarter 2005.

<sup>27</sup> Less than 0.1% of the Total Core Portfolio.

<sup>28</sup> Effective 5/28/03, USRP management responsibilities were transferred to First Washington Realty.

<sup>29</sup> Since inception returns are annualized for investments / programs with less than four quarters of activity.

<sup>30</sup> Excludes sold portfolio activity.



<b>Non-Core Real Estate Portfolio</b> <b>Performance Detail by Partnership / Account</b> <b>For the Period Ending June 30, 2005</b>									
	<u>Net Assets at Fair Market Value</u>			<u>Total Nominal Returns After Fees</u>					<u>Realized</u> <u>Project IRR</u> <sup>23</sup>
	<u>Inception</u> <u>Date</u>	<u>Amount</u>	<u>% of Non-</u> <u>Core</u>	<u>Qtr</u>	<u>1-Yr</u>	<u>3-Yr</u>	<u>5-Yr</u>	<u>Since</u> <u>Inception</u>	<u>Since</u> <u>Inception</u>
<b>Non-Core</b>									
Agricultural Land									
Pacific Vineyard Partners, LLC	Jul-02	70,813,301	1.7%	-0.9%	-6.1%	-6.0%	N/AP	-6.0%	N/AP
Meriwether Farms, LLC	May-04	40,158,764	0.9%	-0.6%	-7.6%	N/AP	N/AP	-9.7%	N/AP
California Urban Real Estate (CURE)									
Bridge Urban Infill Land Development, LLC	Jun-02	32,559,011	0.8%	10.6%	14.4%	6.9%	N/AP	7.4%	N/AP
Buchanan Urban Investors, LLC	Dec-01	33,286,448	0.8%	1.9%	15.8%	24.4%	N/AP	28.1%	34.4%
Buchanan Urban Investors II, LLC	Aug-03	41,737,005	1.0%	5.8%	17.4%	N/AP	N/AP	12.6%	84.2%
California Urban Investment Partners, LLC	Feb-97	130,602,223	3.1%	-0.9%	265.7%	81.5%	46.4%	30.8%	<sup>31</sup> 11.5%
CalSmart, LLC	Mar-01	91,050,615	2.2%	8.8%	40.5%	16.8%	N/AP	11.6%	29.8%
Capri Urban Capital I, LLC	Jun-02	29,581,680	0.7%	3.9%	8.1%	7.9%	N/AP	8.1%	12.5%
CIM Calif. Urban Real Estate Fund L.P.	Dec-00	180,824,146	4.3%	-0.4%	-3.1%	59.3%	N/AP	-8.9%	N/AP
Infill Investment Partners, LLC	Feb-00	928,867	0.0%	<sup>32</sup> -0.7%	-1.3%	-4.0%	-0.3%	-0.3%	14.5%
IHP Investment Fund IV	Dec-01	7,795,955	0.2%	9.0%	3.1%	-19.3%	N/AP	-16.5%	N/AP
KAREC California Development Program, LLC	Apr-02	4,975,505	0.1%	0.0%	0.0%	21.1%	N/AP	20.5%	30.6%
Kennedy Office Development Program	Jan-98	37,081,543	0.9%	-0.5%	0.3%	12.5%	15.2%	11.4%	16.8%
KSC Affordable Housing Investment Fund, LLC	Jul-02	1,814,202	0.0%	<sup>32</sup> -0.8%	-3.3%	N/AP	N/AP	-5.7%	N/AP
Legacy Partners Affordable Housing Fund	Jun-03	11,257,500	0.3%	0.8%	0.1%	N/AP	N/AP	-0.2%	N/AP
Meruelo - California Future Fund	Feb-05	104,017,013	2.5%	N/M	N/AP	N/AP	N/AP	N/M	<sup>33</sup> N/AP
Pacific Cityhome, LLC	Aug-03	54,458,731	1.3%	-3.4%	-3.0%	N/AP	N/AP	-16.4%	N/AP
Catellus Development Corporation	Mar-90	220,716,786	5.2%	24.1%	40.3%	27.1%	21.9%	5.9%	N/AP
Housing									
Hearthstone Advisors									
Hearthstone Housing Partners II, L.P.	Aug-04	146,684,179	3.5%	0.6%	3.5%	N/AP	N/AP	3.5%	N/AP
Hearthstone MS Value Added III, LLC	Sep-03	44,409,609	1.0%	3.7%	11.0%	N/AP	N/AP	2.5%	16.3%

<sup>23</sup> The IRR information is provided by the Partners and is not audited or verified by the Performance Monitoring Unit. Partners reporting N/AP indicate either that the partnership has no completed projects or has uneven cash flows that render an erroneous IRR calculation. IRR for CalPERS reporting purposes is calculated for sold/realized projects only. See appendix for details on IRR calculation.

<sup>31</sup> This high return is due to large unrealized appreciation posted during the fourth quarter 2004.

<sup>32</sup> Less than 0.1% of the Non-Core Portfolio.

<sup>33</sup> CalPERS is a direct lender to Meruelo. The initial capital call was on 2-17-05. There is a pay rate of 6.5% and an accrual rate of 11.5% on the outstanding balance.

<b>Non-Core Real Estate Portfolio</b> <b>Performance Detail by Partnership / Account</b> <b>For the Period Ending June 30, 2005</b>									
	<u>Net Assets at Fair Market Value</u>			<u>Total Nominal Returns After Fees</u>					<u>Realized</u> <u>Project IRR</u> <sup>23</sup>
	Inception Date	Amount	% of Non- Core	Qtr	1-Yr	3-Yr	5-Yr	Since Inception	Since Inception
<b>Non-Core Continued</b>									
Housing (Continued)									
Institutional Housing Partners									
IHP Investment Fund I, L.P.	Jul-92	55,202,830	1.3%	1.2%	2.7%	10.4%	13.9%	16.9%	35.5%
IHP Investment Fund II, L.P.	Sep-95	13,977,319	0.3%	-0.2%	23.6%	-257.6%	-259.2%	0.0% <sup>34</sup>	25.2%
IHP Investment Fund III, L.P.	Oct-99	251,436,045	5.9%	9.5%	36.0%	25.2%	18.7%	15.4%	28.1%
IHP Investment Fund V, L.P.	Jan-03	26,945,217	0.6%	-0.7%	22.9%	N/AP	N/AP	26.0%	27.8%
PICAL Housing Associates, L.P.	Sep-92	3,192,261	0.1%	0.7%	0.1%	10.8%	4.3%	9.8%	N/AP
PICAL Housing Associates II, L.P.	Mar-95	1,808,576	0.0% <sup>32</sup>	-1.1%	-2.8%	4.2%	13.8%	19.0%	N/AP
M/W Housing Partners									
MW Housing Partners III, L.P.	Jan-01	120,787,566	2.9%	12.3%	28.1%	26.5%	N/AP	4.8%	38.3%
Newland Capital Advisors									
Cal-Land Asset Partners, LP	Aug-95	13,164,679	0.3%	18.3%	18.0%	15.8%	16.8%	-0.1%	19.0%
Newland National Partners, L.P.	Oct-99	246,338,084	5.8%	15.3%	25.7%	13.6%	8.7%	6.8%	N/AP
Newland National Partners II, L.P.	Oct-03	150,041,499	3.5%	3.5%	5.3%	N/AP	N/AP	1.7%	N/AP
Newland National Partners III, L.P.	May-05	100,105,272	2.4%	-0.3%	N/AP	N/AP	N/AP	-1.1% <sup>36</sup>	N/AP
Resmark Equity Partners, LLC									
ORA Residential Investments I, L.P.	Oct-99	67,050,627	1.6%	9.0%	55.5%	46.8%	31.0%	26.9%	27.9%
Residential Real Estate Partners									
Residential Real Estate Partners III, L.P.	Jan-00	9,082,725	0.2%	30.6%	331.9%	101.0%	53.6%	48.3% <sup>35</sup>	21.9%
Shea Homes, L.P.									
Shea Capital I, LLC	Apr-05	(154,419)	0.0% <sup>32</sup>	0.3%	N/AP	N/AP	N/AP	1.3% <sup>36</sup>	N/AP
Shea Mountain House, LLC	May-05	126,944,427	3.0%	-0.8%	N/AP	N/AP	N/AP	-3.1% <sup>36</sup>	N/AP
Wells Fargo Realty Advisors									
WFHAI Housing Fund, L.P.	Aug-92	70,524,477	1.7%	8.0%	35.1%	23.9%	26.6%	24.2%	24.3%
Olson Urban Housing	Feb-00	8,884,154	0.2%	8.8%	26.3%	19.3%	14.0%	10.2%	N/AP

<sup>23</sup> The IRR information is provided by the Partners and is not audited or verified by the Performance Monitoring Unit. Partners reporting N/AP indicate either that the partnership has no completed projects or has uneven cash flows that render an erroneous IRR calculation. IRR for CalPERS reporting purposes is calculated for sold/realized projects only. See appendix for details on IRR calculation.

<sup>32</sup> Less than 0.1% of the Non-Core Portfolio.

<sup>34</sup> There are only two projects left in IHP Fund II. The beginning NAV for the third and fourth quarters of 2003 became negative, which is the cause of the large negative returns.

<sup>35</sup> This is due to the relatively large net income compared to the NAV.

<sup>36</sup> Since inception returns are annualized for investments / programs with less than four quarters of activity.

Non-Core Real Estate Portfolio									
Performance Detail by Partnership / Account									
For the Period Ending June 30, 2005									
		Net Assets at Fair Market Value			Total Nominal Returns After Fees				Realized
	Inception Date	Amount	% of Non-Core	Qtr	1-Yr	3-Yr	5-Yr	Since Inception	Project IRR <sup>23</sup> Since Inception
Non-Core Continued									
International									
Aetos Capital Asia T.E., L.P.	Feb-03	60,751,942	1.4%	0.6%	47.6%	N/AP	N/AP	N/M <sup>37</sup>	36.9%
DB Real Estate Global Opportunities 1A, L.P.	Dec-03	46,601,750	1.1%	3.9%	24.4%	N/AP	N/AP	20.4% <sup>38</sup>	18.5%
DB Real Estate Global Opportunities 1B, L.P.	Dec-03	30,805,704	0.7%	0.3%	N/M	N/AP	N/AP	N/M <sup>39</sup>	N/AP
Hines European Development Fund	Mar-03	(993,902)	0.0% <sup>32</sup>	N/M	N/M	N/AP	N/AP	N/M <sup>40</sup>	N/AP
Hines Mexico (HCM Holdings)	Jan-05	(105,788)	0.0% <sup>32</sup>	N/M	N/AP	N/AP	N/AP	N/M <sup>41</sup>	N/AP
IXIS AEW European Property Investors, L.P.	Sep-04	12,407,439	0.3%	0.0%	N/M	N/AP	N/AP	N/M <sup>39</sup>	N/AP
NIAM Nordic Investment Fund III, L.P.	Sep-04	8,013,173	0.2%	N/M	N/AP	N/AP	N/AP	N/M <sup>40</sup>	N/AP
Prudential - PLA Residential Fund I	Jul-04	139,605,995	3.3%	0.3%	-0.6%	N/AP	N/AP	-0.6%	N/AP
Secured Capital Japan	Mar-04	77,211,533	1.8%	5.3%	11.4%	N/AP	N/AP	1.6%	N/AP
Security Capital European Development	Apr-98	2,839,410	0.1%	2.3%	-2.3%	-2.1%	-2.1%	-2.6%	-14.1%
Opportunistic Funds									
Guggenheim Structured Real Estate	Sep-04	22,191,718	0.5%	5.7%	N/AP	N/AP	N/AP	N/M <sup>35</sup>	N/AP
Hampshire Partners Fund IV	Dec-03	11,643,006	0.3%	7.0%	35.8%	N/AP	N/AP	29.5%	N/AP
Page Mill Properties, L.P.	Sep-02	9,371,156	0.2%	8.7%	N/M	N/AP	N/AP	N/M <sup>42</sup>	N/AP
RLJ Urban Lodging	Nov-04	4,638,192	0.1%	N/M	N/AP	N/AP	N/AP	N/M <sup>35</sup>	N/AP
PREES REIT - Extended Market Index	Jun-02	319,082,147	7.5%	13.9%	34.7%	21.4%	N/AP	19.6%	N/AP
Real Estate Technology									
Global Innovation Partners	Apr-01	517,800,733	12.2%	16.1%	39.9%	22.3%	N/AP	3.2%	50.8%
LoopNet.Com	Nov-99	80,944	0.0% <sup>32</sup>	0.0%	0.0%	0.0%	-43.5%	-39.1%	N/AP
Senior Housing									
AEW Senior Housing Company, LLC	Jun-01	213,452,868	5.0%	2.2%	39.6%	19.8%	N/AP	17.1%	18.9%
SHP Senior Housing Fund, LLC	Jan-03	97,573,895	2.3%	1.5%	75.2%	N/AP	N/AP	102.9% <sup>43</sup>	N/AP
Timberland									
Sylvanus LLC	Apr-02	111,226,774	2.6%	1.4%	41.7%	21.1%	N/AP	18.5%	14.9%
Total Non-Core	Dec-84	4,234,283,111 <sup>44</sup>	100.0%	8.1%	30.5%	19.0%	12.4%	10.4%	

<sup>23</sup> The IRR information is provided by the Partners and is not audited or verified by the Performance Monitoring Unit. Partners reporting N/AP indicate either that the partnership has no completed projects or has uneven cash flows that render an erroneous IRR calculation. IRR for CalPERS reporting purposes is calculated for sold/realized projects only. See appendix for details on IRR calculation.

<sup>32</sup> Less than 0.1% of the Non-Core Portfolio.

<sup>35</sup> This is due to the relatively large net income compared to the NAV.

<sup>37</sup> Since Inception Return is not meaningful. Initial quarter returns contain distributions which have decreased the WAE to a very small value compared to the income and appreciation return component.

<sup>38</sup> After fee return in current quarter higher than before fee due to incentive fee accrual.

<sup>39</sup> Returns are not meaningful due to recognition of income and appreciation prior to any contribution by CalPERS.

<sup>40</sup> Returns are not meaningful. CalPERS has not made a contribution to the fund. See Appendix for fund details.

<sup>41</sup> Returns are not meaningful. CalPERS made an initial contribution to the fund in April 2005. See Appendix for fund details.

<sup>42</sup> Returns are not meaningful. CalPERS made a very small amount of contribution, \$40,759, to the partnership during the first three quarters, plus there has been relative large unrealized appreciation compared to the NAV.

<sup>43</sup> The high one-year and since inception returns are due to the increase in unrealized appreciation that was posted during the fourth quarter 2004.

<sup>44</sup> Excludes sold portfolio activity.

## **V. APPENDIX**

## **CORE PORTFOLIO DESCRIPTION**

## CORE PORTFOLIO

The core advisors/investments have varying investment mandates established by CalPERS and include the following:

### ***Apartment Advisors***

- ♦ ***Windsor Realty Fund III, L.P.*** is a partnership between CalPERS and General Investment & Development Co. (“GID Advisers”) seeking to invest in apartment properties throughout the Eastern United States.
- ♦ ***SSR Western Multifamily, LLC*** (“SSR LLC”) is a limited liability corporation created through an agreement between CalPERS and BlackRock Realty Advisors (formerly known as SSR Realty Advisors) seeking to invest in apartment properties in the Western United States.

### ***Industrial Advisors***

- ♦ ***CalEast Industrial Investors, LLC*** is a limited liability corporation created through an agreement between CalPERS and LaSalle Advisors seeking to invest in industrial properties throughout the Eastern United States.
- ♦ ***CalWest Industrial Investors, LLC*** is a limited liability corporation created through an agreement between CalPERS and RoCal LLC (“RREEF”) seeking to invest in industrial properties throughout the Western United States.
- ♦ ***International Industrial Real Estate*** is an advisory agreement between CalPERS and LaSalle Investment Management (“LIM”) for services in connection with international investment opportunities in Mexico and Canada.

### ***Office Advisors***

- ♦ ***Fifth Street Properties, LLC*** is a limited liability corporation created through an agreement between CalPERS and Commonwealth Partners, LLC (“CWP”) seeking to invest in office properties in the Western United States.
- ♦ ***CWP Managed*** - Commonwealth Partners manages a CalPERS owned asset, Bishop Square, a 928,598 square foot office complex consisting of two high rise office buildings located in Honolulu, HI.
- ♦ ***National Office Partners, L.P. (“NOP”)*** is a limited partnership created through an agreement between CalPERS and Hines National Office Partners, L.P. seeking to invest in office properties primarily in the Eastern United States and selected Western U.S. markets.
- ♦ ***PERS*** owned asset represents one investment, Capitol Square, a 504,000 square foot office building located in Sacramento, CA.

## CORE PORTFOLIO

### ***Retail Advisors***

- ♦ ***Eastern Shopping Centers Holdings, LLC*** is a limited liability corporation created through an operating agreement between CalPERS and First Washington Realty seeking to invest in shopping center properties in the Eastern United States.
- ♦ ***US Retail Partners, LLC*** is a limited liability corporation created through an operating agreement between CalPERS and First Washington Realty seeking to invest in shopping center properties in the Western United States.
- ♦ ***Institutional Mall Investors, LLC*** is a limited liability corporation created through an operating agreement between CalPERS and Miller Capital Advisory seeking to invest in malls.

### ***PREES Enhanced Core***

- ♦ CalPERS implemented and approved its REIT strategy in September 1998. The PREES Enhanced Core Portfolio is an enhanced index that is internally managed by CalPERS' staff with allocations across the four core property types of Apartment, Industrial, Office, and Retail.

### ***Diversified Core Advisors***

- ♦ ***AFL-CIO Building Investment Trust (AFL-CIO BIT)*** - CalPERS holds a 6.6 percent position in the open-ended commingled fund investing in core real estate, with Mercantile Safe Deposit and Trust Company as trustee.
- ♦ ***CIM Management Urban REIT*** is a private REIT that will buy core assets in the surrounding areas of its existing development projects. The focus will be on dynamic urban markets in which CIM has experience including downtown Los Angeles and Hollywood. An initial capital contribution was made on February 17, 2005 and CalPERS has committed up to \$500 million to the private REIT.

## **NON-CORE PORTFOLIO DESCRIPTION**



## **NON-CORE PORTFOLIO**

The funded Non-Core Portfolio includes the following:

### ***Agricultural Land***

CalPERS has allocated \$100 million to invest in the development of vineyard land on the West Coast for the fine wine industry. Currently CalPERS has two partnerships with funded investments, which are listed below.

- ◆ Pacific Vineyard Partners, LLC
- ◆ Meriwether Farms, LLC

### ***CURE (California Urban Real Estate) Program***

The CURE program aims to create asset value through the rehabilitation, repositioning and development of real estate projects located primarily in urban neighborhoods of California's major metropolitan areas. Following is a list of the CURE partnerships and the advisors associated with them.

- ◆ Bridge Urban Infill Land Development, LLC – Bridge Infill Development, Inc.
- ◆ Buchanan Urban Investors, LLC – Buchanan Street Partners
- ◆ Buchanan Urban Investors II, LLC – Buchanan Street Partners
- ◆ California Urban Investment Partners (CUIP) – MacFarlane Partners
- ◆ CalSmart, LLC – RREEF
- ◆ Capri Urban Capital I, LLC – Capri Capital LP
- ◆ CIM California Urban Real Estate Fund LP – CIM Group
- ◆ IHP Investment Fund IV – Institutional Housing Partners
- ◆ Infill Investment Partners, LLC – Common Wealth Partners
- ◆ Kennedy – Kennedy Associates Real Estate Counsel
- ◆ KAREC CDP, LLC – Kennedy Associates Real Estate Counsel
- ◆ KSC Affordable Housing Investment Fund, LLC – Klein Financial
- ◆ Legacy Partners Affordable Housing Fund, LLC – Legacy Partners Residential, Inc.
- ◆ Meruelo – California Future Fund
- ◆ Pacific CityHome, LLC – CityView

## **NON-CORE PORTFOLIO**

### ***Housing Program***

The housing program is national with primary emphasis directed toward the California market. Investments are made in “for-sale” residential property as well as infrastructure development construction. Following are the active partnerships listed by the program’s subcategories.

#### **♦ Acquisition and Development**

- ♦ Cal Land Asset Partners, LP
- ♦ IHP Investment Fund II, LP
- ♦ PICAL Housing Partners II, LP

#### **♦ National**

- ♦ Hearthstone MSII Homebuilding Investors, LLC
- ♦ Hearthstone MSIII Value Added, LLC
- ♦ IHP Investment Fund III, LP
- ♦ IHP Investment Fund V, LP
- ♦ MW Housing Partners II, LP
- ♦ MW Housing Partners III, LP
- ♦ Newland National Partners, LP
- ♦ Newland National Partners II, LP
- ♦ Newland National Partners III, LP
- ♦ ORA Residential Investments I, LP
- ♦ Residential Real Estate Partners III
- ♦ Shea Capital I, LLC
- ♦ Shea Mountain House, LLC
- ♦ WFHAI Housing Fund, LP
- ♦ Olson Urban Housing

#### **♦ Single Family**

- ♦ Hearthstone Housing Partners II, LP
- ♦ IHP Investment Fund I, LP
- ♦ PICAL Housing Associates, LP

## NON-CORE PORTFOLIO

### *International*

- ◆ **Aetos Capital Asia T.E., L.P.** – The focus of this commingled fund is to achieve superior performance returns through real estate, distressed debt, and real estate related investment activities principally in the Asian market, with an emphasis on Japanese investments. The other limited partners include California State Teachers' Retirement System (CalSTRS), AT&T, John Deere, and the United Nations. As of June 30, 2005, CalPERS' share of the fund's Net Asset Value was \$60,751,942.
- ◆ **DB Real Estate Global Opportunities Fund 1A** – This fund acquired a portfolio of diverse international real estate and real estate-related assets (concentrated in Europe, Asia Pacific, and the Americas) from Deutsche Bank AG for income and capital appreciation. The other investors in this fund are Colorado Public Employees' Retirement (COPERA), California State Teachers' Retirement System (CalSTRS), and State of North Carolina Funds. As of June 30, 2005, CalPERS' share of the fund's Net Asset Value was \$46,601,750.
- ◆ **DB Real Estate Global Opportunities Fund 1B** – The focus of this commingled fund is to buy distressed and under performing international properties (concentrated in Europe, Asia Pacific, and the Americas) for release and repositioning. The other investors in this fund are Colorado Public Employees' Retirement (COPERA), California State Teachers' Retirement System (CalSTRS), and State of North Carolina Funds. This is a follow along investment to DB Real Estate Global Opportunities Fund 1A. As of June 30, 2005, CalPERS' share of the fund's Net Asset Value was \$30,805,704.
- ◆ **Hines European Development Fund, L.P.** – CalPERS entered into this partnership on March 24, 2003. The other limited partners include Teachers Insurance and Annuity Association of America (TIAA) and Oxford Properties Group a wholly owned subsidiary of Ontario Municipal Employees Retirement Board (OMERS). The Fund will invest in development and re-development of primarily office projects in five countries within Western Europe (France, Germany, Italy, Spain, and the United Kingdom). The Fund employs 100 percent leverage which results in a targeted return, net of all fees, of an infinite IRR. This line of credit is collateralized by the unpaid capital commitments of the Limited Partners. To date, no partner capital has been called. As a result, investment performance is not presented. CalPERS has committed \$75 million to this partnership. As of June 30, 2005, CalPERS' share of the partnership's Net Asset Value was <\$993,902>.

## NON-CORE PORTFOLIO

- ◆ **Hines Mexico (HCM Holdings)** – The partnership’s purpose is to directly or indirectly acquire, own, manage, lease, finance, construct, develop and ultimately sell real estate projects in Mexico. CalPERS entered into this partnership on January 6, 2005 and holds a 94.5% stake and has committed \$94.5 million to the partnership. As of June 30, 2005, CalPERS’ share of the partnership’s Net Asset Value was <\$105,788>.
- ◆ **IXIS AEW European Property Investors, L.P.** – The partnership was formed for the purpose of acquiring, improving, leasing, maintaining, owning, operating and managing real estate assets in Europe. CalPERS entered into this partnership on September 8, 2004. As of June 30, 2005, CalPERS’ share of the partnership’s Net Asset Value was \$12,407,439.
- ◆ **NIAM Nordic Investment Fund III, L.P.** – CalPERS entered into this partnership on September 6, 2004. Other large investors include California State Teachers’ Retirement System (CalSTRS) and General Electric Pension Trust, among others. As of June 30, 2005, CalPERS’ share of the partnership’s Net Asset Value was \$8,013,173.
- ◆ **PLA Residential Fund I, LLC.** – CalPERS entered into this partnership on July 7, 2004. This fund is structured to pursue a variety of investments composed primarily for residential real estate investments throughout major development corridors in Mexico’s metropolitan areas. As of June 30, 2005, CalPERS’ share of the Fund’s Net Asset Value was \$139,605,995.
- ◆ **Secured Capital Japan Real Estate Partners I, L.P.** – CalPERS entered into this partnership on February 23, 2004. The other limited partners include the John Deere Pension Trust, Nestle in the USA Pension Trust, and the Jewish Federation of Metro Chicago. The Fund will invest and co-invest with third-party capital providers in a diverse portfolio of commercial and residential real estate located in Japan. As of June 30, 2005, CalPERS’ share of the partnership’s Net Asset Value was \$77,211,533.
- ◆ **Security Capital European Realty** – Security Capital focuses on investing throughout the United Kingdom, with limited exposure in Australia. Security Capital European Realty invests in office, retail and self-storage properties as well as some fully integrated real estate operating companies. As of June 30, 2005, CalPERS’ share of the partnership’s Net Asset Value was \$2,839,410.

## NON-CORE PORTFOLIO

### *Opportunistic Funds*

- ◆ **Guggenheim Structured Real Estate** – This partnership was formed to invest in structured product mezzanine debt investments in commercial real estate assets mainly within the United States, with no more than 10% of assets being placed in foreign investments. CalPERS entered into this partnership on September 28, 2004 and have committed \$50 million to the partnership. The other limited partners include Oregon Public Employees' Retirement Fund and State of Wisconsin Investment Board, among others. The fund will build a diversified portfolio of real estate debt, generally focusing on BBB, B Note, and Mezzanine debt tranches within the capital structure.
- ◆ **Hampshire Partners Fund IV, L.P.** – CalPERS entered into this partnership on December 15, 2003. The other limited partners include Northwestern Mutual Life Insurance Co., and Hope College. The fund has a \$50 million Subscription Credit Facility from Bank of America. CalPERS has committed \$50 million to this fund.
- ◆ **Page Mill Properties, L.P.** – CalPERS entered into this partnership on September 20, 2002. The other limited partners include California State Teachers' Retirement System (CalSTRS) and Oregon Public Employees' Retirement Fund. This partnership invests in commercial properties in Northern California and other technology dominant markets. To date, no partner capital has been called. As a result, investment performance is not presented. Funding for the start-up and organization, operating, and purchasing activity has been provided by the Partnership's line of credit ("Subscription Line"). This Subscription Line is collateralized by the unpaid capital commitments of the Limited Partners. CalPERS has committed \$75 million to this partnership.
- ◆ **RLJ Urban Lodging** - CalPERS entered into this commingled fund in November of 2004. CalPERS presently has a 7.9% share of this fund. This fund is expected to focus on acquiring, owning, holding for investment and ultimately disposing of upscale, focused or limited-service hotels and compact full-service hotels serving urban markets in the United States, Canada and Puerto Rico. CalPERS has committed \$25 million to this fund.

## **NON-CORE PORTFOLIO**

### ***Real Estate Technology Program***

These investments are in real estate and or real estate related entities with a focus on technology.

- ◆ **Global Innovation Partners (GIP)** is a joint venture between CalPERS and CB Richard Ellis Investors; although this program is fully allocated to Real Estate, it is a joint management effort between the Real Estate and Alternative Investment Management units.
- ◆ **LoopNet.com** – CalPERS has invested approximately \$1.4 million in LoopNet, Inc. This privately-held internet real estate technology company maintains an on-line listing service for sale and lease properties.

### ***Senior Housing Program***

The Senior Housing program includes three types of housing that provide varying levels of care and services for seniors. The housing types are independent living (congregate care), assisted living, and continuing care retirement communities. Currently CalPERS has two partners with funded investments, they are listed below.

- ◆ AEW Senior Housing Co., LLC
- ◆ SHP Senior Housing Fund, LLC

### ***Timberland***

CalPERS invests in approximately 54,554 acres of tree farms in Brazil and 35,271 acres in the New South Wales province of Australia through a co-investment partnership with the following partner:

- ◆ Sylvanus LLC

## NON-CORE PORTFOLIO

### *Other*

This category encompasses all non-core investments not mentioned above.

**Catellus Development Corporation** – Catellus Development Corporation is a diversified real estate operating company that holds income-producing properties and developable land. The Company develops, manages, and owns a variety of industrial, residential, retail, and major mixed-use projects.

**PREES – Extended Market** – CalPERS implemented its Extended Market Real Estate Equity Securities Portfolio in June 2002. The portfolio is internally managed by CalPERS staff and is allocated among nine property type sectors, including Apartment, Industrial, Office, Retail, Manufactured Housing, Outlets, Hotels, Diversified, and Storage. It is benchmarked to the Wilshire Real Estate Securities Index.

## **PERFORMANCE MEASUREMENT GLOSSARY**



## GLOSSARY

**Annualized** – When returns for a period other than one year are put on an annual basis. For example, an individual quarter return would be annualized as follows:

$$[(1 + \text{Quarter Return})^4] - 1 = \text{Annualized Return}$$

**Appreciation Return** – Expressed as a percentage, the change in market value over the period of analysis. The appreciation return is computed as follows:

$$\left[ \frac{\text{Realized + Unrealized Gain or Loss}}{\text{Beginning Net Assets + Time-Weighted Contributions - Time-Weighted Distributions}} \right] \times 100$$

For assets which continue to be held, the appreciation is unrealized. When assets are sold, the appreciation is realized.

**Capitalization Rate** – Any rate used to convert income into value. Value conversion formula is as follows:

$$\text{Net Operating Income} / \text{Capitalization Rate} = \text{Real Estate Value}$$

**Compounding** – Returns are geometrically compounded on a quarterly basis. For example, the annual return for four quarters would be:

$$(1 + Q1)(1 + Q2)(1 + Q3)(1 + Q4) = (1 + \text{Annual Return})$$

**Discount Rate** – A yield rate used to convert future payments or receipts into present value.

## GLOSSARY

**Internal Rate of Return (IRR)** – Dollar weighted rate of return that shows profitability as a percentage, showing the return on each dollar invested. IRR equates the present value of a partnership's estimated cash flows (CF) with the present value of the partnership's costs. Before fees (BF) IRR is calculated before all expensed fees such as Asset Management, Disposition, Incentive Fees, etc. After fees (AF) IRR is calculated after all expensed fees such as Asset Management, Disposition, Incentive Fees, etc. Please note, IRR for CalPERS reporting purposes is calculated for sold/realized projects only.

IRR is the quarterly discount rate that makes the following relationship hold:

$$\text{Present Value (inflows)} = \text{Present Value (investment costs)}$$

IRR is computed as follows:

$$CF_0 + CF_1 / (1+IRR) + CF_2 / (1+IRR)^2 + CF_3 / (1+IRR)^3 \dots CF_n / (1+IRR)^n = 0$$

**Investment Fees** – Generally include acquisition, asset management and disposition fees paid to third party firms. Acquisition and disposition fees are calculated on a per transaction basis and range from 0 to .85 percent and 0 to .60 percent, respectively, on a graduated scale. Asset management fees are based on asset value and range from .25 to .65 percent on a graduated scale.

**J-Curve Effect** – Refers to the shape of a plotted trendline depicting investment returns produced from the common practice of paying management fees and start-up costs out of the first draw on committed capital. As a result, a fund will initially show a negative return. When the first realizations are made, the fund returns start to rise steeply. After about three to five years, the interim return will give a reasonable indication of the definitive return.

**Market Value** – An opinion of value as of a certain date as stated by either the investment advisor or independent appraiser. Market value differs from amount funded or net investment in that the value includes unrealized potential gains or losses during the holding period.

**Net Assets (Market Value)** – Total assets minus liabilities based on market value.

**Net Income Return** – Expressed as a percentage, net income accrued divided by beginning net assets adjusted for time-weighted contributions and distributions. The net income return is computed as follows:

$$\left[ \frac{\text{Net Investment Income}}{\text{Beginning Net Assets} + \text{Time-Weighted Contributions} - \text{Time-Weighted Distributions}} \right] \times 100$$

## GLOSSARY

**Net Investment Income** – The amount of net income that has accrued for the period, net of advisor fees.

**Nominal Returns** – Nominal returns are unadjusted for inflation.

**Property Type** – Eleven property type categories are used throughout the report. A property is placed into a category based on its primary use, unless otherwise designated as a mixed-use property.

**Realized Gain or Loss** – The gain or loss CalPERS realized from the disposition of a real estate asset. The computation is as follows:

$$\text{Proceeds from Investments Sold} - \text{Cost of Investments Sold} - \text{Recognized Prior Period Appreciation on Investments} = \text{Realized Gain or Loss}$$

**Real Estate Investment Trust (REIT)** – Similar to a mutual fund, a REIT is a corporation or trust that combines the capital of many investors to acquire or provide financing for all forms of real estate.

**Real Estate Investment Value** – The sum of components of real estate investments at fair value. REIV is computed as follows:

$$(\text{Equity} + \text{Capital Expenditures}) + \text{Mortgages Receivable} + \text{Debt/Equity}$$

**Real Returns** – Nominal returns adjusted for inflation as follows:

$$\left[ \frac{1 + \text{Nominal Return}}{1 + \text{Inflation}} \right] = 1 + \text{Real Return}$$

**The Consumer Price Index** – Urban (CPI-U) is used for the inflation factor.

## GLOSSARY

**Time-Weighted Contributions** – The amount of capital CalPERS contributes to a property/investment during a quarter adjusted for the amount of days left in the quarter at the time of the transaction. The computation is as follows:

$$\left[ \frac{(\text{Contrib.1} \times \text{Days to End of Quarter}) + (\text{Contrib.2} \times \text{Days to End of Quarter}) + (...)}{\text{Days in Quarter}} \right]$$

**Time-Weighted Distributions** – The amount of cash received by CalPERS from a property/investment during the quarter adjusted for the amount of days left in the quarter at the time of the transaction. The computation is as follows:

$$\left[ \frac{(\text{Distrib.1} \times \text{Days to End of Quarter}) + (\text{Distrib.2} \times \text{Days to End of Quarter}) + (...)}{\text{Days in Quarter}} \right]$$

**Total Net Return** – The sum of the net income return and the appreciation return.

**Unrealized Gain or Loss** – The change in market value of a real estate asset over the period of analysis adjusted for several factors. The computation is as follows:

$$\left[ \begin{aligned} &\text{Ending Real Estate Investment Value} - \text{Beginning Real Estate Investment Value} - \\ &\text{Capital Expenditures/New Acquisitions} - \text{Change in Joint Venture Costs} - \\ &\text{Mortgages Funded} + \text{Principal Payments Received} + \text{Cost of Assets Sold} \end{aligned} \right]$$